2017

ANNUAL REPORT

ANNUAL REPORT

ANNUAL REPORT

ANNUAL REPORT
ON CORPORATE
GOVERNANCE

ANNUAL REPORT
ON THE
REMUNERATION
OF DIRECTORS

ANNUAL REPORT
ON
CORPORATE SOCIAL
RESPONSIBILITY

Logista

ISSUER IDENTIFICATION DETAILS

FISCAL YEAR END DATE: 30/09/2017

C.I.F.: A87008579

COMPANY NAME: Compañía de Distribución Integral Logista Holdings, S.A.

REGISTERED OFFICE: Calle Trigo 39 – Polígono Industrial Polvoranca – 28914 Leganés (Madrid)

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Letter from the Chairman

Dear Shareholders.

I am pleased to address you to present you with Logista's Annual Report 2017.

In this fiscal year the Company obtained good results, reaching the highest Economic Sales and Net Profit in its history.

Economic Sales rose by 1.1% to €1,049.7m, with growth in every business line in Iberia and in the sale of convenience products in Italy, which more than offset the weakness of the business in France and the 4% global reduction in cigarettes distributed.

Despite the good performance recorded by the Group's underlying activity, Logista's Adjusted Operating Profit and Operating Profit declined by 6.8% and 10.8%, respectively, after being both non-recurrently affected by prices increases in tobacco products in France and Italy that were lower than those of tax increases in these countries.

Meanwhile, the Net Profit grew by 16.5% to €153.9m, favoured by the sale of a stake in an affiliated company in Italy providing transactional services to tobacconists, as well as by the lower tax rates in all countries where the Group operates and the reduced tax rate for such sale.

These good results are due to a solid business model, the diversification both geographical and sectoral of the Logista's activities and to the execution of a business strategy focused on creating value.

As you know, Logista is the leading distributor of products and services to proximity retailers in Southern Europe, facilitating the best and fastest access to products and services from manufacturers to the end consumer.

During the fiscal year 2017, Logista has continued strengthening its leadership position adding new clients, increasing the commercialization of convenience products and expanding the high added value services contracted by our clients.

Logista paid in March 2017 a €0.30 per share interim dividend to be indebted to fiscal year 2017 results and has proposed to the General Meeting of Shareholders distributing a €0.75 per share final dividend, so raising the total dividend to be indebted to the fiscal year to €1.05 per share, a 16.7% higher than the dividend indebted to the previous fiscal year.

Since the Initial Public Offering in July 2014, Logista, following its remuneration policy to shareholders, distributes as dividend at least 90% of the Consolidated Net Profit. Since then, Logista has paid €2.50 per share that, together with the €7.35 revaluation of the company's share, raises the average annual return to the shareholder to 19.1%.

This value creation is supported by a strong balance sheet that allows to invest and keep developing a corporate strategy of profitable growth.

Logista's sustainability of activities is also an irrevocable principle present in the corporate strategy and in the management of the different businesses themselves.

During fiscal year 2017 the Company has also gone deeper into its commitments to the Group's stakeholders. The advances in these matters are available in the 2017 Logista Group's Annual Report on Corporate Social Responsibility.

In the corporate website, www.grupologista.com, you may consult besides this report, the annual reports on Corporate Governance and on the Remuneration of Directors, both in Spanish and English.

They all, together with this Annual Report, show the Company's progress in all its activity areas.

I would like to take advantage of this letter to congratulate Logista's excellent human team for their extraordinary work and thank them for their professionalism, dedication and effort. Thanks also, particularly, to clients and providers for their ongoing confidence.

Lastly, I would like to express our recognition to you, dear shareholders, for your confidence in the Company and in our work, in the determination to keep consolidating Logista's strategic positioning as the leading distributor of products and services to proximity retailers in Southern Europe.

Mr. Gregorio Marañón y Bertrán de Lis

Letter from the CEO

Dear shareholders.

I am pleased to report to you again on good results obtained by Logista during this fiscal year.

Despite the 4% global reduction in cigarettes distributed, Revenues declined by just 1.4% compared to the previous fiscal year, while Economic Sales grew by 1.1% to €1,049.7m.

This growth was particularly outstanding in the distribution of convenience products in Spain and Italy, in the distribution of pharmaceuticals and in the Group's Transport division.

By geographies, Economic Sales increased by 5.3% in Spain and Portugal, more than offsetting the 2.9% and 1.6% declines in France and Italy, respectively, affected by 2.7% and 6.1% drops in cigarettes distributed and by tobacco price increases that were lower than those of the tax increases.

The diversification, both geographical and sectoral, as well as the soundness of our business model, contribute to Logista's profitable growth.

Accordingly, the Net Profit grew by 16.5% to €153.9m, reaching the company's best result in its history, and having grown at a 14.6% annual average rate during the last three fiscal years.

Logista keeps being the leading distributor of products and services to proximity retailers in Southern Europe, serving tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries, among others, to some 300,000 points of sale in Spain, Portugal, France and Italy.

Logista so facilitates the access of products and services from the manufacturer to the end consumer, as the points of sale we distribute to are accessed every day by some 45 million consumers.

During 2017 Logista has kept developing new differentiating and highly added value services.

Logista has directed over 40% of its investments to information technologies and systems, as the information and knowledge management are a core part of our strategy and business model, integrating as a further tool to transform the distribution of products and services in Southern Europe.

Also, during 2017 we have continued expanding our network of Point of Sale Terminals. Over 47,000 POS Terminals installed at points of sale are integrated within Logista's operating processes, allowing the point of sale to improve its management and increase its sales and profitability.

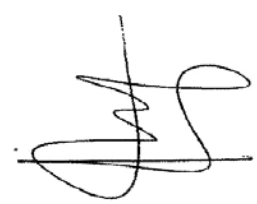
Logista so keeps consolidating its omnichannel strategy, integrating the different communication channels from the manufacturer to the end consumer into its own activity, and turning such omnichannelization into a fundamental area of the distribution value chain.

Logista accordingly provides tools with which manufacturers and points of sale may, in short, maximize their profitability.

This is how Logista is transforming the distribution of products and services through retail channels in Southern Europe, by making simple, efficient and profitable the complex commercialization and distribution of products and services to thousands of proximity points of sale in Spain, Portugal, France and Italy.

I could not finish without reminding that a fundamental part in executing this strategy is the role played by Logista's professionals, whom I want to expressly thank their devotion to the client and to the Group, encouraging them to continue developing this task of transformation.

This is how Logista continues reinforcing its leadership in the distribution of products and services to proximity retailers in Southern Europe.

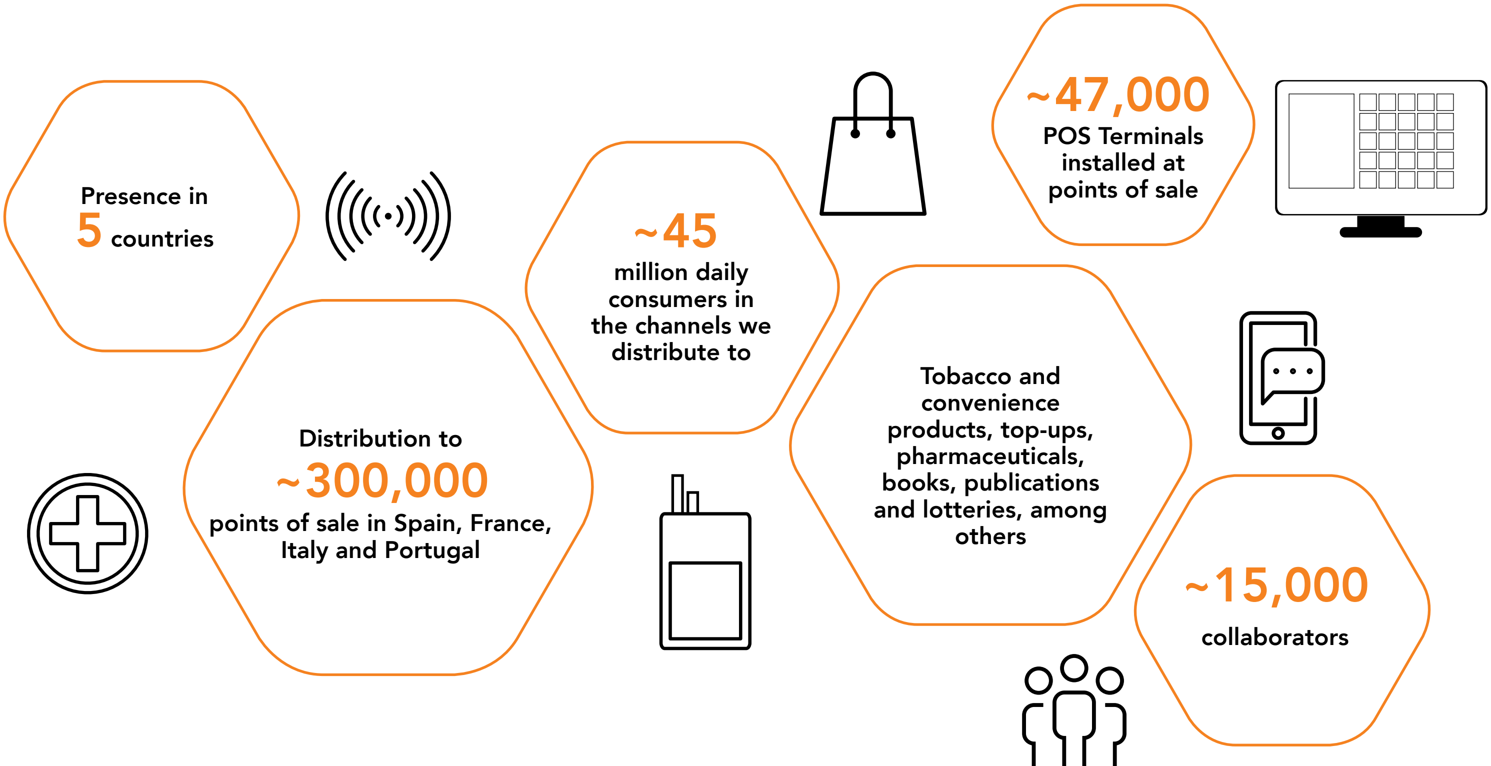


Mr. Luis Egido Gálvez

Logista, Leading Distributor in Southern Europe

Logista facilitates the best and fastest marketing of products and services through a capillary network of points of sale close to the end consumer, becoming the best partner for manufacturers and points sale by means of a specialized, highly added value, intelligent and unique distribution service in Southern Europe.

Logista is the leading distributor of products and services to proximity retailers in Southern Europe



A unique business model

- Combination of distribution and comprehensive logistics services with exclusive added value services, thanks to our network of some 47,000 Point-of-Sale Terminals installed in points of sale and our Business Intelligence tools for greater insight into the end consumer.
- A vertical and integrated model of distribution, transport and information systems infrastructures combining logistics efficiency, full control and traceability in specialised distribution.
- Proximity to the point of sale through hundreds of local stores in the countries where we operate.

Thus, Logista provides an unbeatable platform for commercialising products and services adapted to points of sale and their end consumers, becoming the best partner for both manufacturers and points of sale.

Logista in 2017

+1.1% Economic Sales

+16.5% Net Profit

+2.4% Share revaluation

Dividend of **1.05€** per share, **+16.7%**

	2017	2016	%
Balance Sheet (million euros)			
Total Assets	6,543	6,723	(2.7)%
Equity	501	490	2.2%
P&L Statement (million euros)			
Revenues	9,493	9,632	(1.4)%
Economic Sales	1,050	1,038	1.1%
Adjusted EBIT	219	235	(6.8)%
Profit from Operations	158	177	(10.8)%
Net Profit	154	132	16.5%
Cash flow (million euros)			
Cash flow	241	222	8.3%
Data per share and stock market ratios			
Share price (€)	20.3	19.9	2.4%
Market capitalization (million €)	2,700.8	2,636.4	2.4%
Book value per share (€)	3.8	3.7	2.2%
Share price / book value	5.4	5.4	0.2%
Relevant ratios			
ROE	30.7%	27.0%	+370 b.p.
PER (share price / earnings per share)	17.54	19.93	(12.1)%
Earnings per share	1.16	1.00	16.6%
Other data			
Number of shares	132,750,000	132,750,000	-
Average number of employees	5,600	5,542	1.0%
Number of points of sale	~300,000	~300,000	-

- Cash flow: Net Profit + Depreciation and Amortization
- ROE: Net Profit / Equity
- Earnings per Share: Net Profit / Number of Shares

The Group's recurring activity performance has been positive during the fiscal year 2017, again confirming its robust business model

In the fiscal year 2017 Logista reached its highest Economic Sales and Net Profit in its history

The Group's Net Profit has grown at a 14.6% average annual rate during the last three fiscal years

~60
million
top-ups in Spain and France

~45
million daily consumers in the channels we distribute to

~300,000
points of sale

~15,000
collaborators

~47,000
POS Terminals installed at points of sale

374
central and regional platforms and local stores

~5,600
direct employees in 5 countries

Dividend of
1.05€
per share,
+16.7%

~50
billion euros invoiced in products and services

"Pay out"
90%
of Net Profit

-4.2%
Total Emissions ($Tm\ CO_2e$)

Over
$1,100,000m^2$
of storage area

Relevant data from the Profit & Loss Statement and Balance Sheet

Consolidated Profit & Loss Statement (Million euros)	2017	2016
Revenues	**9,493.2**	**9,632.0**
Economic Sales	**1,049.7**	**1,038.1**
(-) Distribution Costs	(685.9)	(662.5)
(-) Sales and Marketing Expenses	(64.8)	(64.3)
(-) Research Expenses and G&A Expenses	(80.2)	(76.5)
Total costs	**(830.9)**	**(803.3)**
Adjusted EBIT	**218.8**	**234.8**
(-) Restructuring Cost	(9.0)	(6.6)
(-) Amort. of Intangibles Logista France	(52.2)	(52.2)
(+/-) Net Gain (Loss) of Disposal and Impairments	(0.3)	0.2
(+/-) Share of Results of Companies and Others	0.7	0.9
Profit from Operations	**158.0**	**177.1**
(+) Financial Income	31.4	14.5
(-) Financial Expenses	(1.4)	(3.9)
Profit before Taxes	**188.0**	**187.8**
(-) Corporate Income Tax	(34.3)	(55.3)
Effective Income Tax Rate	18.3%	29.4%
(+/-) Other Income / (Expenses)	(0.0)	(0.1)
(+/-) Minority Interest	0.3	(0.3)
Net Income	**153.9**	**132.1**

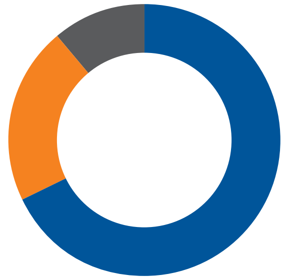
Consolidated Balance Sheet (Million euros)	30/09/2017	30/09/2016
PP&E and other Fixed Assets	206.0	208.7
Net Long Term Financial Assets	6.1	28.6
Net Goodwill	925.7	919.1
Other Intangible Assets	547.8	602.4
Deferred Tax Assets	19.9	22.4
Net Inventory	1,122.6	1,085.8
Net Receivables and Others	1,791.0	1,793.1
Cash & Cash Equivalents	1,923.6	2,062.7
Total Assets	**6,542.7**	**6,722.8**
Group Equity	500.6	489.8
Minority Interests	1.9	2.1
Non-Current Liabilities	41.6	37.6
Deferred Tax Liabilities	299.0	328.7
Short Term Financial Debt	34.4	33.6
Short Term Provisions	13.7	17.1
Trade and Other Payables	5,651.5	5,813.9
Total Liabilities	**6,542.7**	**6,722.8**

- Iberia 51%
- France 26%
- Italy 23%

Economic Sales by geographies

- Iberia 45%
- France 29%
- Italy 26%

Adjusted EBIT by geographies



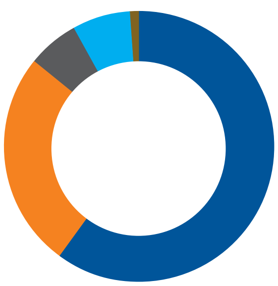
- Tobacco and Related Products 67%
- Transport 21%
- Other 12%

Economic Sales by activities

28.7
million euros in investments in 2017

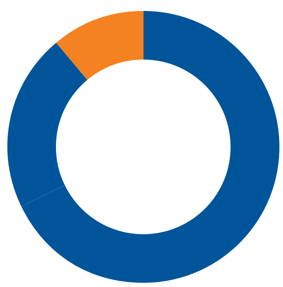
40%
of investments directed to IT

Total investments in 2017
+15.3%



- Spain 60%
- France 26%
- Italy 6%
- Portugal 7%
- Poland 1%

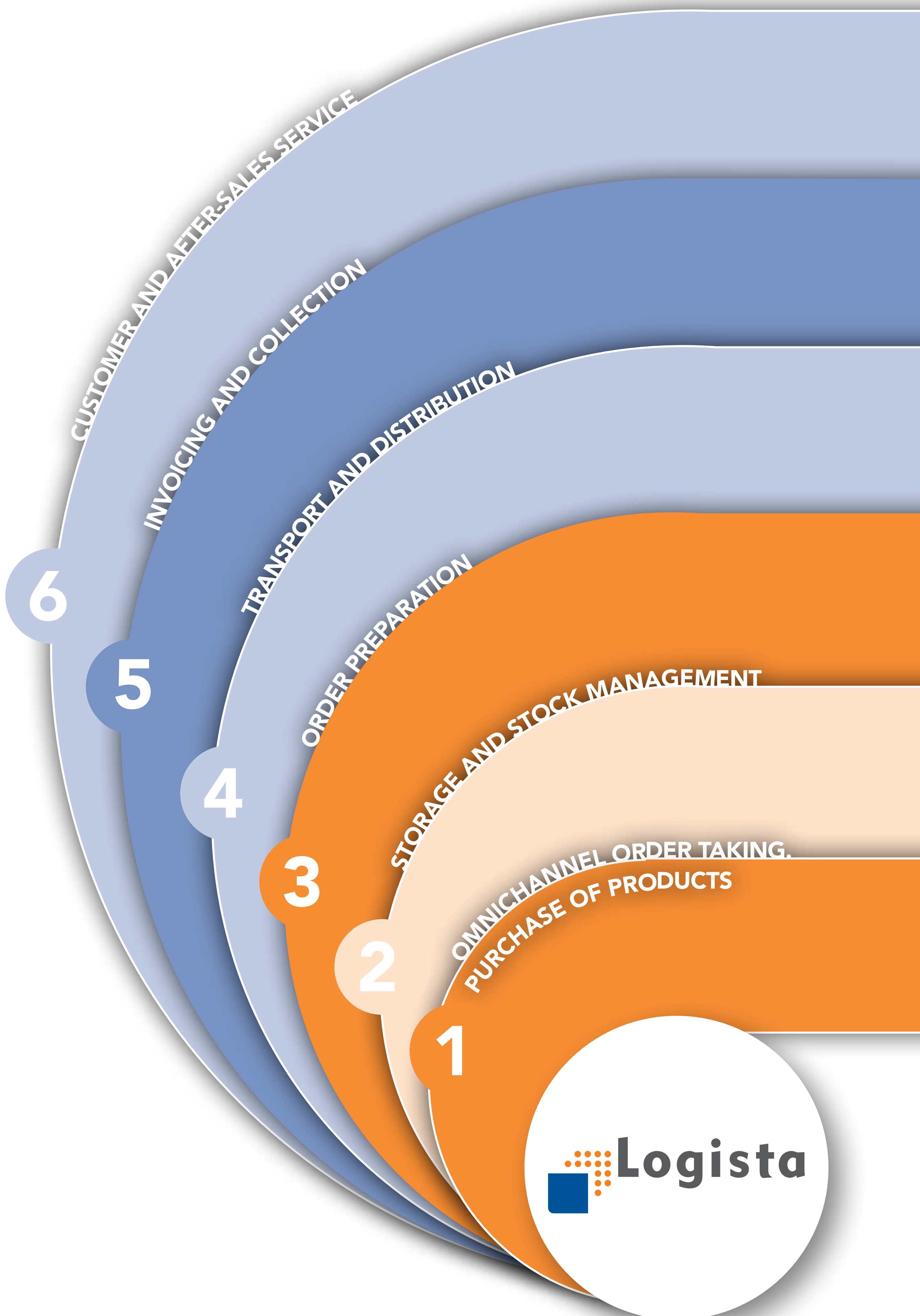
Employees by country



- Permanent 85%
- Temporary 15%

Employees by type of contract

Value Chain



6
CUSTOMER AND AFTER-SALES SERVICE
5
INVOICING AND COLLECTION
4
TRANSPORT AND DISTRIBUTION
ORDER PREPARATION
3
STORAGE AND STOCK MANAGEMENT
2
OMNICHANNEL ORDER TAKING,
PURCHASE OF PRODUCTS
1
Logista

- POS terminals and applications for point-of-sale management
- Local stores for point-of-sale supply and service
- Catalogue of convenience products adapted to the point of sale
- Up-to-date management and control of order status
- Incident management
- Control and Management of returns
- Exchange of goods
- Centralized customer information hotline service
- Integration with external call centres
- Sales analysis and Marketing plans

- Invoicing
- Collections via cash on delivery, credit card, bank transfer …
- Administrative support
- Incident management
- Up-to-date maintenance of applications and price information
- Integration with external call centres

- Integrated temperature-controlled transport and distribution
- Design and management of computerised open routes
- Merchandise risk coverage
- Online connection with loading and unloading centres, and carriers
- Fleet control and tracking (GPS, GSM...)
- Multimodal transport (express, full load…)
- Industrial parcel and capillary distribution
- Express courier, parcel and documentation transport
- Delivery

- Order preparation using radiofrequency
- Consolidation of orders from several suppliers with single delivery
- Customized labelling and packaging
- Automated classification of shipments

- Real-time inventory management
- Customized safety stock management
- Adaptability to different types of products
- Availability of tax and bonded warehouses
- Temperature-controlled storage

- Multimodal order taking: Point-of-Sale (POS) terminals, Internet, telephone, cash & carry...
- Online order processing and follow-up
- Safety stock management at the supplier's warehouses with daily order connection

International Presence

Logista has a wide presence in Spain, France, Italy and Portugal, distributing to around 300,000 points of sale accessed every day by some 45 million consumers.

Its vertical and integrated model of distribution, transport and information system infrastructures combines efficiency in the basic logistics operations adapted to the product, a full control and traceability in the transport and highly specialized distribution services.

374 central and regional platforms and local stores provide the point of sale with a local and nearby presence, where they can access a wide offer of products and services, a direct contact and customer support.

Thus, Logista gains efficiency and operating flexibility to provide a specialized distribution service with full coverage in the countries where it is present, close and in permanent contact with the points of sale, strengthening the relationship with the retailer, continuously improving its knowledge and information on markets and the marketing of products.

Facilitating access to products and to end consumers

Logista offers manufacturers and points of sale a specialized distribution service adapted to products, to the point of sale and its end consumer, with other added value services and powerful Business Intelligence tools.

Integration with points of sale through Point of Sale Terminals

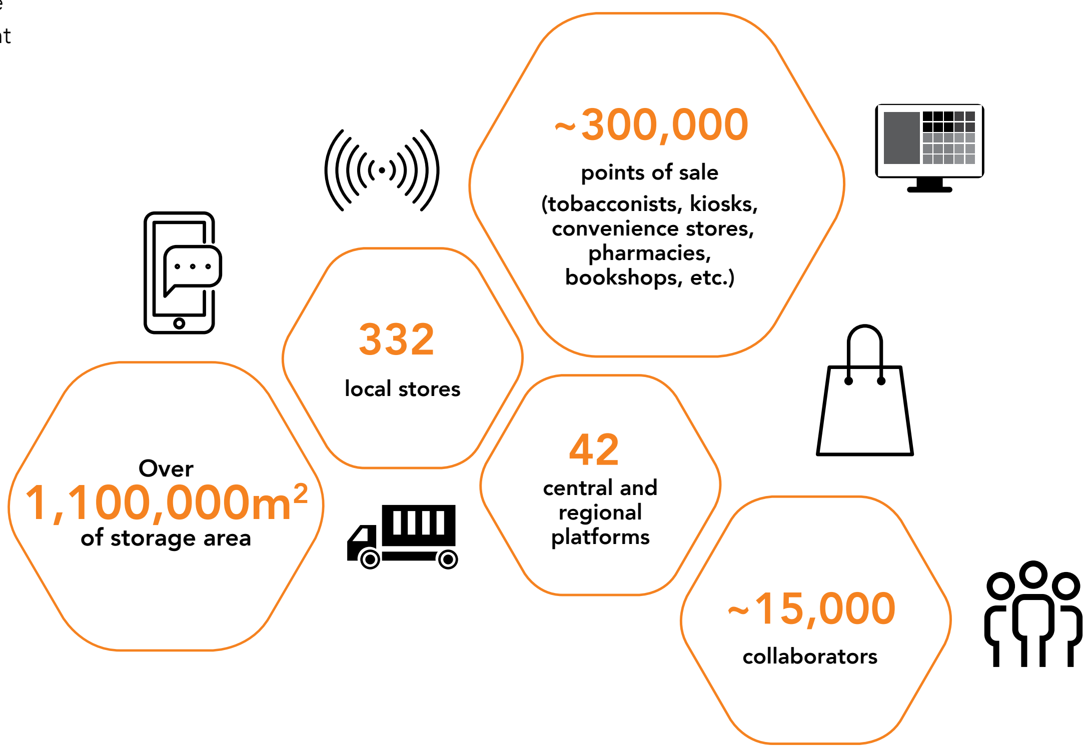
Logista has an installed network of around 47,000 POS Terminals in points of sale it distributes to, so improving the value chain, increasing the efficiency and transparency of supply from manufacturers to the end consumer.

The POS Terminals are developed customized for each country and industry where the Group is present.

With them, the points of sale can increase their sales, improve their management and raise their profitability, by facilitating order taking and follow-up, invoicing, the stock management at the point of sale, etc..

Traceability and efficiency in operations

Logista offers a full follow up and physical and thermal control of all distributed products, through advanced information technologies.



Spain and Portugal

Logista is the leading distributor of tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries to some 165,000 points of sale.

The Group's Transport division, formed by its Nacex and Integra2 networks and its subsidiary company Logesta, is also leader in both countries.

- Revenues: 2,695 mill €
- Economic Sales: 533 mill €
- Adjusted EBIT: 105 mill €
- Employees: 3,737
- Points of sale: ~165,000

France

Logista France is the leading distributor of tobacco and convenience products, top-ups, food and beverages, FMCG, stationery and smoking items to some 50,000 points of sale across the country.

- Revenues: 4,234 mill €
- Economic Sales: 274 mill €
- Adjusted EBIT: 68 mill €
- Employees: 1,425
- Points of sale: ~50,000

Italy

Logista Italia is the leading distributor of tobacco and convenience products in the sector to over 60,000 tobacconists and convenience stores in the country.

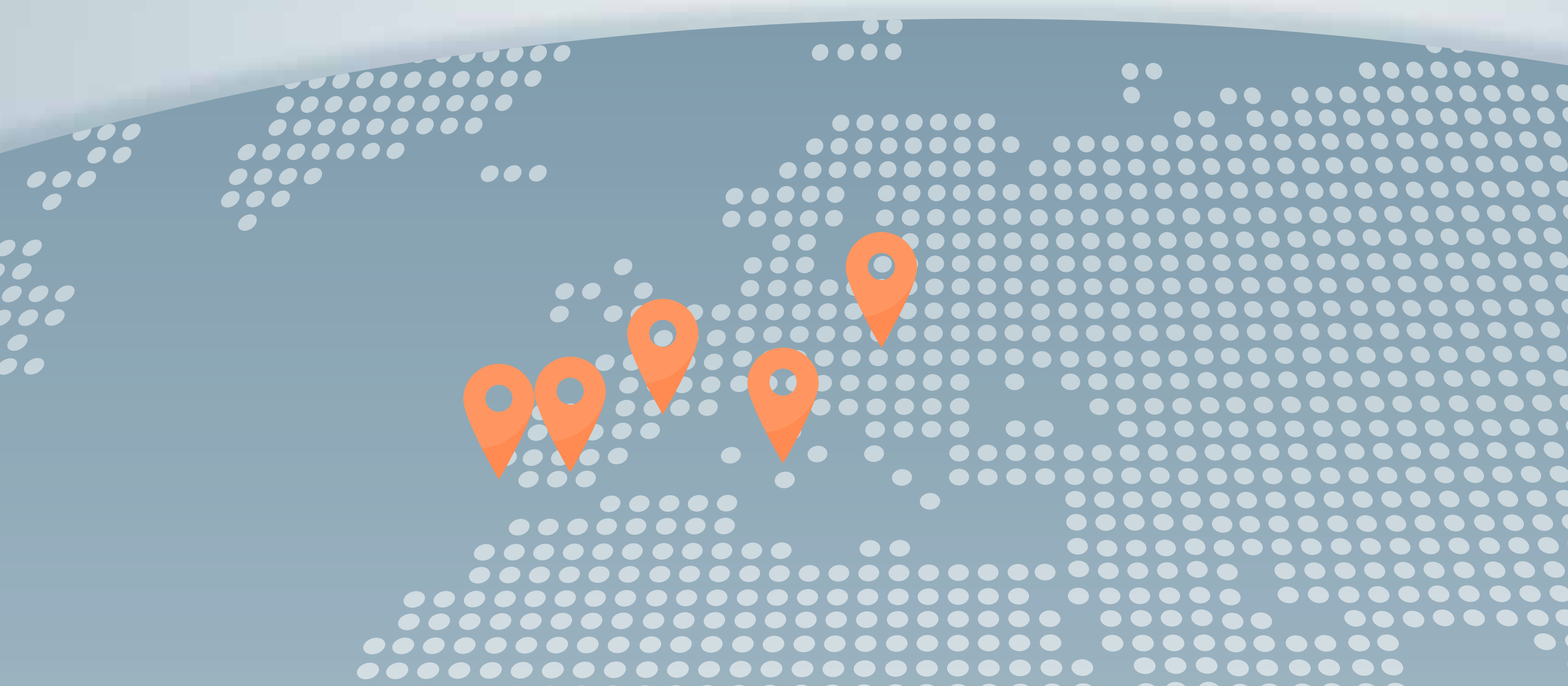
- Revenues: 2,599 mill €
- Economic Sales: 241 mill €
- Adjusted EBIT: 59 mill €
- Employees: 361
- Points of sale: ~60,000

Poland*

Logista also distributes tobacco products to wholesalers in Poland.

- Employees: 77
- Delivery points: ~600

(*) Results of Poland activities are included in the "Corporate & Others" segment.



Board of Directors and Committees

Mr. Gregorio Marañón y Bertrán de Lis
Chairman

Mr. John Downing
Director

Mr. Eduardo Zaplana Hernández-Soro
Director

Mr. Richard Guy Hathaway
Director

Mr. Stéphane Lissner
Director

Mr. Luis Egido Gálvez
Chief Executive Officer

Mr. David Resnekov
Director

Mr. Richard Charles Hill
Director

Ms. Cristina Garmendia Mendizábal
Director

Mr. Rafael de Juan López
Secretary Director

Logista

- Chairwoman of Audit and Control Committee
- Member of Audit and Control Commitee
- Chairman of Appointments and Remuneration Committee
- Member of Appointments and Remuneration Committee

10 Directors

40% of Directors are Independent Directors

14 Board of Directors meetings in 2017

7 Audit and Control Committee meetings in 2017

8 Appointments and Remuneration Committee meetings in 2017

Maximum **4** year-term for re-election of Directors

75% of Independent Directors in the Audit and Control Committee and in the Appointments and Remuneration Committee

In the Annual Report on Corporate Governance 2017, the Company's government structure is explained in its C section.

ANNUAL REPORT ON CORPORATE GOVERNANCE 2017

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS 2017

Logista Group's Companies

The Logista Group is composed of **Compañía de Distribución Integral Logista Holdings, S.A.** and its direct and indirect subsidiary companies

Compañía de Distribución Integral Logista Holdings, S.A.

- Compañía de Distribución Integral Logista, S.A.U.
  - Grupo Dronas (100%)
    - T2 Gran Canaria (100%)
    - Logista Pharma (100%)
      - Be to Be Pharma (100%)
  - Logista-Dis (100%)
  - Logista Libros (50%)
  - La Mancha (100%)
  - Logesta (100%)
    - Logesta Italia (100%)
    - Logesta Francia (50%)
    - Logesta Deutschland (100%)
    - Logesta Lusa (51%)
    - Logesta Polska (51%)
  - Logista Publicaciones (100%)
    - Distribuidora del Este (100%)
    - Disvesa (50%)
    - Cyberpoint (100%)
    - Distrisur (50%)
    - Distribuidora de Aragón (5%)
    - Provadisa (90%)
    - Las Rías (90%)
    - Distribuidora de Ediciones Sade (100%)
    - Distriberica (100%)
      - Distribuidora del Noroeste (51%)
      - Pulisa (100%)
      - Provadisa (10%)
      - Las Rías (10%)
      - Distribuidora de Publicaciones Siglo XXI Guadalajara (80%)
  - Distribuidora del Noroeste (49%)
  - Logista France Holding (100%)
    - Logista Promotion et Transport (100%)
      - Logesta Francia (50%)
  - Logista France (100%)
    - SAF (100%)
      - Supergroup (100%)
  - Logista Italia (100%)
    - Terzia (68%)
  - Midsid (100%)
    - Jose Costa & Rodrigues (100%)
  - Logista Transportes e Transitos (100%)
    - Logesta Lusa (49%)
  - Logesta Polska (49%)
  - Logista Polska (100%)
  - UTE Logista – GTech (50%)

Activities

Spain and Portugal

51%
of the Group's Economic Sales

+2.1%
Revenues

45%
of the Group's Adjusted EBIT

+5.3%
Economic Sales

+10.2%
Adjusted EBIT

~165,000
points of sale supplied

During the fiscal year 2017, Logista reinforced its leadership position in Spain and Portugal, with good overall performance of every business line.

Tobacco and related products

Logista is the leading distributor of tobacco and convenience products, documents and top-ups to tobacconists and other points of sale in Spain and Portugal.

The volume of cigarettes distributed in Spain was affected by prices increases by manufacturers after tobacco products taxes were raised during the fiscal year, declining by 2.6% comparing with the previous fiscal year, while in Portugal grew by 15.3%.

Meanwhile, RYO and cigars distributed kept a down trend in both countries during the fiscal year.

During the 2017 fiscal year, Logista significantly advanced in preparations to provide full traceability of tobacco products at product unit level since 2019.

Logista continues enjoying the manufacturers' confidence, due to its specialized and comprehensive distribution service and to the added value services offered, as well as its operating neutrality.

Logista provides manufacturers with a marketing platform that is unique in the market, while transforming points of sale into actual convenience stores, contributing to the modernization of the point of sale and to the end consumer's perception as a multiproduct and multiservice point of sale, promoting consumers affluence.

LogistaDis, the Group's company specializing in the sale and distribution of convenience products to capillary networks of points of sale, carried out a strong commercial boost during the fiscal year.

The company facilitates points of sale to easily improve their businesses' sales and profitability, with a broad range of products and services tailored to the point of sale and its end consumer, including smoking

> Logista is the leader in distribution of tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries to some 165,000 points of sale in Spain and Portugal

items, food including gourmet and refrigerated products, beverages with selection of cellar and alcohol, stationery, leisure, gifts, etc.

During the fiscal year, LogistaDis expanded its convenience products portfolio, raised its sales at double digits and so increased its market share, mainly in tobacconists.

LogistaDis moved during the fiscal year to a modern platform with larger capacity, implemented new CRM and e-commerce tools and strengthened its presence in the Group's cash and carries, optimizing operations.

Meanwhile, Logista renewed its contracts with the main telephony operators, expanded services provided to several transport consortia and developed new transactional products, growing in electronic money products, as well as consolidating gifts and digital content cards with new clients. According to this, the Group managed in Spain nearly 39 million top-ups in telephony, transport, electronic money, etc. products.

The multiproduct Logista-owned platform allows the easiest, most efficient and fastest access to market for innovative electronic products and services.

According to this, Logista reached an agreement with ING by the end of the fiscal year to implement its Twyp Cash service in tobacconists, so ING's clients may pay and withdraw cash at tobacconists adhering to the service. Logista so will multiply Twyp Cash's reach.

Logista also expanded its network of "Strator" Point of Sale Terminals in Spain up to exceeding 3,650 devices. The "Strator" POS Terminals fully integrate the point of sale within Logista's businesses and provide with a global solution.

The "Strator" is the ideal tool to optimize the management and profitability of the tobacconists' business, knowing product availability, ordering and following up its status, accessing promotions and improving essential issues in its commercial activity, like seasonality or stocks management.

Logista so provides with an omnichannel marketing of its products and services, thanks to its network of POS Terminals installed at points of sale, its e-commerce platform and the local stores, which ensure immediacy and proximity for the point of sale.

Transport

Logista is one of the leading transport operators in Spain and Portugal through Nacex, Integra2 and Logesta in parcel and express courier, controlled temperature capillary transport, as well as in long distance and full load transport management, respectively.

The fiscal year 2017 was a good fiscal year for the Logista Group's Transport division.

Nacex maintained its double digit growth and surpassed 20.5m deliveries during the fiscal year 2017, again reaching a historic record for its activity.

The firm kept reinforcing its quality and efficiency market positioning, by launching new services like "My preferred delivery" or expanding the already existing ones. Also, Nacex opened a new modern platform at Barberá del Vallés (Barcelona) and started developing its new platform at Coslada (Madrid).

Integra2 moderately accelerated the rate of growth enjoyed in recent fiscal years by increasing deliveries by 6.7%, mainly due to the growth in its controlled temperature dispatches.

The network, which strictly meets the required standards according to Good Distribution Practices (GDP) for pharmaceutical products, has been a pioneer in centralized real-time monitoring of temperature in distribution vehicles.

Together with its FRIOFARMA (2ºC-8ºC) and its FARMA<25ºC services for the pharmaceutical industry, the Farma Plus (15ºC-25ºC) service launched last fiscal year expanded to 80% of the pharmaceutical distribution hubs in the Iberian Peninsula.

Integra2 so continues differentiating itself in the services devoted to industries with demanding requirements, like controlled temperature delivery, in which it exceeds 95% as fulfilling rate of success.

Logesta, meanwhile, reinforced its European leadership in transportation for the tobacco industry by increasing its international routes and services related to Next Generation Products. It also raised its international activity for high value industries, like

electronics or the pharmaceutical, in which it added new clients, like Takeda or Baxter. In national transport, Logesta has become the main full load operator for L'Oreal.

Nacex, as well as Integra2 and Logesta, in line with the Logista Group's commitments to environmental sustainability, are renewing their fleets with less polluting vehicles, or providing free information to clients on the carbon footprint of their deliveries and/or trips, so leading the industry regarding environmental issues.

Other Businesses

Logista is the leader in specialized distribution of pharmaceuticals, books and publications.

Logista Pharma, the Group's company specializing in logistics and distribution for the pharmaceutical industry in Spain and Portugal, kept its strong growth and strengthened its leadership in distribution to hospitals while reinforcing its position in distribution to pharmacies in Spain.

Logista Pharma significantly grew in distribution to pharmacies, raising both the products distributed and the pharmacies recurrently supplied, exceeding 20,000 throughout Spain.

This was due to the expansion of services to clients, as well as the ongoing addition of new laboratories to the client portfolio during the fiscal year.

In this client portfolio expansion, it must be highlighted the agreement reached with Sanofi, the fifth worldwide pharmaceutical company in revenues, to manage the distribution to hospitals, pharmacies and wholesalers of its entire product portfolio. The activity began on October 1st, 2017.

Logista Pharma leans on the Group's networks for transporting and distributing pharmaceutical products in Spain and Portugal, securing full operating integration, physical and thermal traceability, the highest quality standards and the use of cutting edge information systems.

Logista Libros kept reinforcing its leadership as independent book distributor in Spain, gaining market share.

One further fiscal year, it maintained a double digit growth in e-commerce activity for Casa del Libro and Círculo de Lectores.

During this fiscal year, Logista Libros renewed its website, including a public area and improving the clients' area with new features. In addition to this project, issuance of paper documents was significantly reduced being instead issued electronically.

Logista Publicaciones raised its sales within an overall market drop, so significantly improving its market share.

The addition of new editors, like Salvat, reinforced it as leader in the distribution of collectibles and products aimed at children. It also strengthened its position in managing journals and magazines, by centralizing the logistics and administration as single provider for convenience channels like El Corte Inglés, Stop & Go or WHSmith.

It also provided visibility to the business by renewing agreements with Planeta de Agostini and Panini, leaders in collectibles and child editorial products and cards, respectively.

France

26% of the Group's Economic Sales

-4.0% Revenues

29% of the Group's Adjusted EBIT

-2.9% Economic Sales

-10.9% Adjusted EBIT

~50,000 points of sale supplied

Logista France is the leader in distribution of tobacco and convenience products, documents, top-ups, food and beverages, FMCG, stationery and smoking items to some 50,000 proximity points of sale throughout the country

Tobacco and related products

Logista France is the leading distributor of tobacco and convenience products, documents and top-ups to the over 25,000 tobacconists in France.

The volume of cigarettes distributed had an irregular evolution during the fiscal year, with growth during the second and third quarters, and completing the fiscal year with a 2.7% moderate decline, despite the introduction of the plain package in January 2017.

The volumes of RYO and cigars also fell during the fiscal year by 5.4% and 2.4% respectively.

Logista France's productivity kept improving due to measures being implemented during recent fiscal years, like the new picking lines in Lyon or the network optimization in Southern France.

Logista France reinforced its leadership in the industry by renewing for 4 years its distribution agreements with British American Tobacco and Japan Tobacco International, again proving it is the main tobacco manufacturers' preferred distributor.

It also kept expanding its portfolio of high added value services to manufacturers, like those focused on improving their knowledge of the end consumer, as well as to points of sale.

Meanwhile, Logista France continued extending its network of the "Strator" Point of Sale (POS) Terminals. The "Strator" POS Terminals facilitate points of sale an efficient and easy management of their businesses, while providing them with immediate access to a broad range of products and services by Logista France so they may increase their businesses' sales and profitability.

It also kept optimizing and modernizing its network of cash & carries following the omnichannel model implemented the previous fiscal year.

Logista France's subsidiary for distribution of convenience products to tobacconists, SAF, provides tobacconists with a broad products portfolio, including tobacco-related, FMCG, gifts, stationery, as well as a wide range of top-ups products and services.

During the fiscal year, the sale of tobacco products was affected by tax increases in the country, as the strong growth in the sale of e-cigarettes didn't fully offset such impact.

In 2017, SAF implemented a new CRM tool to optimize the management of its sales force and opened 20 new "concept stores".

Regarding the electronic recharges business, Logista France managed nearly 20 million top-ups.

The company expanded its customer portfolio and launched new products, like gift cards. It further improved its margins and so mitigated the already traditional down trend in prepaid telephony, to which added a drop in money cards top-ups due to higher control in cash movements.

Other Businesses

Supergroup is Logista France's subsidiary distributing food and beverages, FMCG, stationery and smoking items to nearly 24,000 points of sale, including petrol stations, food stores or vending machine operators, among others.

Due to the overall weak consumption context in France, Supergroup continued optimizing its clients portfolio it distributes to, aiming at keeping improving its margins.

Supergroup also continued optimizing its structure, while reinforcing its distribution network. Accordingly, it opened a new distribution centre at Lisses to service both Paris and the Northern France region under its influence.

This went parallel to a higher focus on retail and food channels, as well as boosting the activity oriented to petrol stations.

Italy

23% of the Group's Economic Sales

-0.5% Revenues

26% of the Group's Adjusted EBIT

-1.8% Economic Sales

-22% Adjusted EBIT

~60,000 points of sale supplied

Logista Italia is the leader in distribution of tobacco and convenience products to nearly 60,000 tobacconists and convenience stores in Italy

The volume of cigarettes distributed fell by 6.1%, while the volume of RYO distributed grew by 12.6% and the volume of cigars distributed increased by 63%.

The company strengthened its leadership during the fiscal year, due to the confidence by the main local and international manufacturers in the country, which keep proving their preference for Logista Italia due to its cutting edge and efficient distribution and logistics services.

Thus, Logista Italia renewed for 5 years its distribution contract with Japan Tobacco International and extended its added value services to manufacturers, particularly those linked to Next Generation Products.

This reinforcement of the leadership and the growing provision of added value services allowed to mitigate the consequences of the decline in the volume of cigarettes distributed, influenced by the prohibition of the sale of 10 cigarettes packs, which were more affordable to a higher number of consumers within a context of very moderate macroeconomic growth.

Terzia, Logista Italia's convenience products wholesale subsidiary, also contributed with a robust double digit growth both in Revenues and Economic Sales.

Terzia distributes nearly 3,000 references of products and increased the points of sale it distributes its products and services to, surpassing 52,000 points of sale.

During the fiscal year, Terzia significantly raised the sales of convenience products of higher value, with outstanding growth in tobacco related products, stationery, lotteries, personal care, food and electronics.

The backbone of Logista Italia's distribution network consists of central and regional warehouses where, according to the Group's vertical model, it benefits from volumes synergies by performing most of the warehousing, stocks management, orders, grouping, packaging and shipping operations, with a high degree of automation.

During the fiscal year the operating capacity of the regional warehouse at Tortona was expanded, and two new regional warehouses at Bologna were incorporated with the most advanced information systems to service the distribution of Next Generation Products (NGP) for Philip Morris International in Italy.

In addition, Logista Italia offers 145 local stores where tobacconists may access the company's whole products and services portfolio, and so benefit from the highest number of channels available in the market.

Logista Italia also continued consolidating its network of Points of Sale (POS) Terminals, allowing points of sale to integrate within Logista Italia's activities and so the Group also contributes to improve the management and profitability of their businesses.

Thus, Logista Italia deepened in its relationship with points of sale as usual and referencing supplier of tobacco and convenience products.

During the fiscal year 2017, Terzia significantly raised the sales of convenience products of higher value

Value Creation, Excellence and Sustainability

Information Technologies and Infrastructures

€28.7m
investment in 2017

Unique distribution network in Southern Europe

Intensive use of cutting-edge IT platforms

Full integration with manufacturers and points of sale

Logista seeks operating excellence through an intensive use of cutting edge IT platforms, fully integrated with its infrastructures and transport networks.

The Group has one of the most extensive, specialized and technologically advanced infrastructures and transport networks in Southern Europe, comprising 374 platforms and local stores with local and nearby access and over 5,500 transport vehicles.

This vertical and integrated model of distribution, transport and information systems infrastructures provides Logista with operating efficiency and flexibility to offer a specialized distribution service in the countries where it operates.

40%

of the Group's investments directed to IT

~47,000

Point of Sale Terminals (POS Terminals)

Information Technologies

Logista seeks operating excellence through the intensive use of cutting edge IT platforms in its services to both manufacturers and points of sale.

At that aim, the Group carries on reaching maximum integration with manufacturers and points of sale in every stage of the supply chain, benefitting from the experience across industries and geographies where it operates and transferring best practices across countries and businesses, so reducing execution and implementation costs and times, while optimizing control and transparency throughout the supply chain.

Logista provides manufacturers with a deep insight into the end consumer by applying robust Business Intelligence tools based on Big Data analysis.

The Group's Corporate Analytics Directorate (Business Intelligence) strives to transform data into knowledge and knowledge into new products or services adding value to Logista's clients, by using specialized in-house developed technology, a competent team of human resources specialized in data analysis and a strong integration with points of sale.

Logista has developed and implemented POS Terminals platforms, fully integrated with Logista's processes for orders taking and follow up, billing, stock management, access to promotions, etc., facilitating points of sale the management of their businesses and helping them to improve their management and profitability.

Logista has a network of some 47,000 POS Terminals installed in the different countries and points of sale channels.

During the fiscal year 2017, Logista has gone more deeply into added value services provided to points of sale through its "Strator" POS Terminals in Spain. Thus, points of sale may already access in real time the vending machine's sales through its POS Terminal, may recharge public transport titles from the "Strator" terminal, etc..

According to the Group's omnichannel strategy, points of sale may also directly contact Logista through the Group's e-commerce platform, the call centre or its local stores or cash and carries in every country where the Group operates.

During the fiscal year 2017, Logista increased client satisfaction and reduced maintenance costs, after completing during last fiscal year the centralization of call centre activities related to the Group's sales and services management.

Infrastructures

Logista concentrates storage, stocks management, orders processing, grouping, packaging and shipping operations, in a specialized manner tailored to each product and with full control of operations in its 42 central and regional warehouses, with high automation and specialization, while its 332 local stores provide full support and proximity to the point of sale in every country where the Group is present.

This vertical model provides the Group with high efficiency in operations.

Logista's Transport division is integrated within the Group's infrastructures networks and information systems, ensuring full physical and thermal traceability, as well as full control of transport and distribution.

The Group is currently carrying out a project to provide full physical traceability by product unit. Logista so will provide full traceability unit by unit since manufacturing to the point of sale.

During the fiscal year 2017, LogistaDis, the Group's subsidiary specializing in wholesale distribution and sale of convenience products in Spain, moved operations to a new warehouse at Cabanillas del Campo (Guadalajara); while Nacex, the Group's parcel and express courier firm, started developing a new platform at Coslada (Madrid).

Supergroup, the Group's subsidiary specializing in wholesale distribution of convenience products to channels other than tobacconists in France, also moved operations to a new warehouse at Lisses.

In Italy, the operating capacity of the Tortona regional warehouse was expanded, and two new regional warehouses were incorporated in Bologna with the most advanced information systems to service the distribution of Next Generation Products (NGP) for Philip Morris International in the country.

The Group also continued during fiscal year 2017 with its plan for optimizing and modernizing the network of local stores in Italy, following the existing model in Spain and France, which at fiscal year end comprised 145 local stores.

According to its vocation for the efficient use of transport resources, Logista continuously strives to optimizing routes and renovating fleet agreements introducing efficiency criteria.

Accordingly, during the fiscal year 2017 Integra2, the Group's controlled temperature capillary transport network, increased its fleet of vehicles running with less polluting fuels, alternative to petrol derived products, and commits to continue adding this kind of vehicles to its fleet.

Nacex also keeps its commitment to promoting a sustainable and low emissions transport network among its franchises, with electric vehicles already in its fleet. According to this, Nacex is promoting the purchase of electric vehicles by its franchises with commercial agreements with dealers.

In long distance transport, Logesta constantly incorporates the most efficient technology, prioritizing euro VI motorization and Green Tech technology.

Over
1,100,000m^2
of storage area

374
platforms and local stores in Southern Europe

Environmentally sustainable infrastructures. Logista in CDP's "A List" for the second consecutive year

Thus, Logista has a specialized network with full capillary coverage in every country where it is present, distributing in a recurring, efficient and specialized manner to some 300,000 points of sale.

Corporate Social Responsibility

Sustainability of the Group's activity is an irrevocable principle, present in our corporate strategy and in the Corporate Policy on Social Responsibility.

This Policy sets the framework and the commitments to stakeholders assumed by the Group, including the CSR management within the Group's management.

The compliance with these commitments is part of the Group's ambition for excellence in all its spheres (corporate, economic, operating, environmental and social), involving the whole organization and stakeholders in its achievement.

Permanent and fluid dialogue with stakeholders

Good Governance

Dividend of 1.05€ per share, +16.7%

"Pay out" 90% of Net Profit

+2.4% Share revaluation in fiscal year 2017

88.8% of the capital present or represented at the General Shareholders Meeting in 2017

Shareholders and Investors

Logista has as main objective the creation of long-term sustainable value for shareholders and investors, basic principle to maintain and improve the remuneration to shareholders.

5,600 direct employees in 5 countries

50 nationalities

264 training actions in 2017

4,112 users in the Group's e-learning Platform

Employees

The Logista Group considers its professionals one of its main assets for achieving its business targets and generating value.

Suppliers qualification

Independence and neutrality

Corporate Purchasing Policy

Centralization of Purchases relevant for the Group

Suppliers

Logista fosters that its suppliers of relevant goods or services share the same principles than those of the Group, and establishes with them relationships based on mutual value creation, respect and services quality.

Clients and Channels

The commitment to our clients is the core of our business model.

The Group integrates sustainability in its goal of maximum service quality, carrying out activities and operations efficiently and in adequate social and environmental conditions.

~300,000
points of sale

~45
million daily consumers in the channels we distribute to

~47,000
POS Terminals installed at points of sale

Wide products portfolio adapted to points of sale

-4.2%
Total emissions (Tm CO_2e) vs previous fiscal year

Founding Member of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth)

+90%
of Group's facilities using renewable-produced electricity

Logista in the CDP's "A List" for the second consecutive year

Society and Environment

Logista is committed to economic development, social welfare and respect for the environment it operates in, by developing good environmental practices and participating in social initiatives, mainly at a local level.

Human Resources

The Logista Group considers its professionals one of its main assets for achieving its business targets and generating value.

Diversity, equality, non-discrimination and ethical behaviour

Some 15,000 professionals habitually collaborate with the Group, with 5,649 direct employees of 50 nationalities in Spain, France, Italy, Portugal and Poland at the end of the fiscal year.

The Group's Code of Conduct expressly includes Logista's commitment to diversity, equal opportunities and non-discrimination, principles the Group promotes and are assumed by all employees.

The Group also promotes supporting unfavoured groups with actions like recruiting young intellectually disabled people, groups in risk of exclusion or groups with sensorial disabilities, among others.

Logista guarantees the dissemination and knowledge of the Code of Conduct among all employees, and is also available to all of them in the Group's intranet.

Internal and external talent recruitment

Logista seeks internal and external talent, aiming at having the best professionals for its activity and for the achievement of its business goals.

Regarding internal talent recruitment, the Logista Group uses a performance evaluation system through the "Success Factors" tool and 360° evaluations to identify and implement training actions and development plans suited for each employee, and promotions. Thus, the Group promotes the internal mobility for its professionals.

Logista has been awarded in the Talent Mobility Awards by Lee Hecht Harrison recognizing the best practices in Talent Mobility. It is an acknowledgement to organizations with activities such as detection of high potential employees, creation of development plans, periodical discussions on professional careers and creation and support of succession plans for key positions.

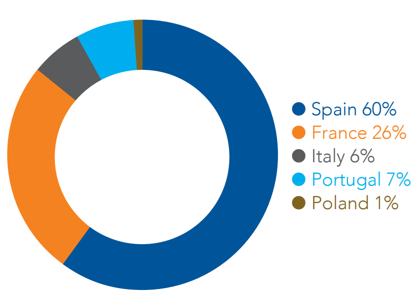
Regarding external talent, Logista has collaboration agreements with different business schools and universities to identify and recruit new professionals, providing them with the opportunity of applying and extending their knowledge with the Logista Group.

The Group also participates in forums and jobs fairs with the main universities and business schools in each country, such as IESE and IE in Spain, EM Lyon and EDHEC in France, and Bocconi in Italy, among others.

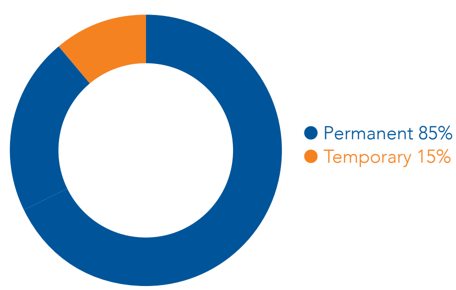
Training

The Logista Group promotes its employees' development and qualification with different actions, being training one of the most important.

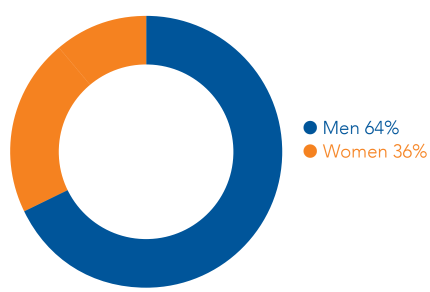
The Group's Human Resources Directorate yearly designs a Global Training Plan with training plans and programs at a corporate level, by country and business. During the fiscal year 2017, the Group has carried out 264 training actions mainly related to the activity, competencies development, languages, safety and health…



Employees by country



Employees by type of contract



Employees by gender

The Group has an e-learning platform that facilitates ongoing training for all professionals. It is a multi-language platform adapted to every Group language (Spanish, Portuguese, English, French, Italian and Polish), to every business and company. In addition, it is compatible with any browser on any device (tablet iPad, Android, Mac, PC, Smartphone). This e-learning platform already has 4,112 active users.

Logista also carries out online and in-person courses, like those on the New Data Protection Regulation given to different departments at the corporate level of the different businesses and subsidiaries during the fiscal year 2017.

Moreover, Logista went on with its "Knowledge Sessions" or cross-sectional meetings of employees from different countries, businesses and departments to exchange experiences from different businesses and countries, as well as acquiring a deeper knowledge of the Group's different activities.

Teams motivation

Logista motivates its working teams, establishing a long term labour relation, keeping a direct communication between the different organizational levels and carrying out several initiatives to strengthen the team spirit within the Group.

Thus, Logista has continued promoting the Group's collaborative intranet during the fiscal year 2017 and developing "Team building" actions. These actions usually have a local scope and sometimes are extended to the families. Some actions developed in 2017 are, for example, participation in the Madrid companies' race, the Christmas party for children or Christmas cards contests, etc..

In the latest Labour Climate Survey carried out by Logista, employees positively assessed the good welcome they receive when joining the Group, the relationship with their hierarchic superiors, the respect and the egalitarian treatment, also highlighting the pride of working in the Group.

Compensation and Benefits Policy

Logista's compensation and benefits policy favours recruiting the best professionals, by linking individual performance to the Group's results and basing its compensation model on principles of both internal fairness and external competitiveness.

At that aim, the Group uses the "Success Factors" tool that improves determining individual and group targets, the assessment of employees by its direct people in charge and the vertical communication.

The Group's Human Resources management policies include criteria of labour flexibility to facilitate the compatibility of professional and family lives, and benefits that vary based on the country, the company and work centre. The most usual ones include meal grants, life and accidents insurances, advance payments, loans, school grants, medical insurance, access to certain pension plan schemes, as well as improvements beyond regulations regarding leaves or permissions for flexible work schedules and facilitate the compatibility of professional and family lives.

Safety and Health

Logista carries out a proactive management of Safety and Health to create a risk-free environment for all its employees and collaborators.

Aiming at preventing damages on people, goods and the environment in developing activities, the Group sets health improvement targets and goals, assesses the performance and applies the needed corrections to reach targets, defining verification, audit and control processes to assure them.

During the fiscal year 2017, Logesta and Logista Polska achieved the OHSAS 18001:2007 certification of labour health and safety management. Additionally, during the fiscal year Logista Italia, Integra2, Nacex, Logista Pharma, Logista Libros and Be To Be Pharma in Spain and the Logista Portugal businesses in Alcochete (Lisbon) have updated or revised their certifications.

Also, Logista yearly evaluates accidents in the Group and compare it with other companies whose activities are in similar industries to the Group's businesses. The report for the latest fiscal year sets the Logista Group's index of accidents (2,79) well below those of companies in comparable industries.

Clients, Channels and Suppliers

Logista involves its clients and channels of points of sale it distributes to in the operational development of its activity, in order to achieve excellence and maximum service quality

Clients and Channels

The commitment to our clients is the core of our business model.

Logista involves its clients and channels of points of sale it distributes to in the operational development of its activity, in order to achieve excellence and maximum service quality.

The Group integrates sustainability in its goal of maximum service quality, implying efficiency and carrying out activities and operations in adequate social and environmental conditions.

Logista provides manufacturers with a specialized distribution service according to the product, along with other added value services and powerful Business Intelligence tools for the best knowledge of the end consumer.

Thus, Logista offers manufacturers the best and most adequate access for their products and services to the end consumer in Southern Europe, through its distribution to some 300,000 points of sale in Spain, France, Italy and Portugal.

At the oher end of the value chain, Logista provides the point of sale with a wide portfolio of products adapted to its clients and an efficient distribution, boosting its revenues and profitability.

Logista also integrates with the point of sale through its network of over 47,000 Point-of-Sale Terminals installed in points of sale, increasing the transparency and information across the process.

The Group has several certifications recognizing the quality of its operations.

Main certificates	
ISO 9001	Group's Quality Management System in over 300 premises
GDP (Good Distribution Practices)	Distribution of pharmaceuticals according to European and Spanish regulations
GMP (Good Manufacturing Practices)	Proper handling, repacking and repackaging of pharmaceuticals, granted by the Spanish health authorities
CCQI (Cold Chain Quality Indicator)	Granted to Integra2 guaranteeing the strict maintenance of the cold chain in warehousing and transport
AEO (Authorized Economic Operator)	Granted by Spain's AEAT (State Agency for Tax Administration) in its most demanding Customs Simplification, Security and Safety version, guaranteeing a proper customs control, financial soundness, adequate security and administrative management to ensure a satisfactory tax compliance
TAPA	Granted to Logesta, guaranteeing it follows Facility Security Requirements (FSR) and Trucking Security Requirements (TSR) standards designed to ensure security and safe transit and warehousing of assets of any TAPA member worldwide
UNE-EN ISO 14064	Carbon Footprint calculation at Group level
ISO 14001	Environmental Management System
OHSAS 18001	Occupational Health and Safety Management System

Suppliers

The Logista Group assumes its responsibility across all stages of the value chain in its activity, responsibly managing the supply chain.

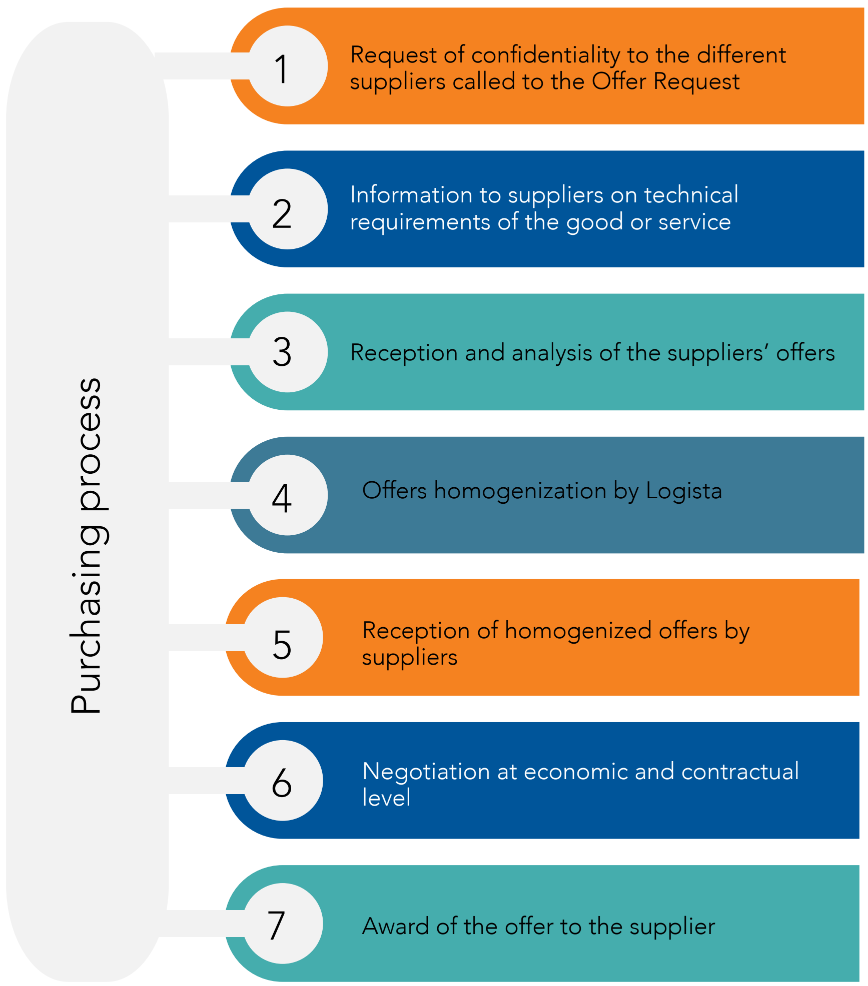
At that aim, the Group fosters that its suppliers of relevant goods or services share the same principles than those of the Group, and establishes with them relationships based on mutual value creation, respect and services quality.

Logista applies a Purchasing Policy according to the Group's principles related to ethics, labour, environmental responsibility, quality and vocation for clients.

The supplier selection is always taken based on quality criteria in technical, economic, environmental and contracting characteristics, as well as the supplier's capabilities and references on the good or service to be purchased and its financial status.

To optimize and rationalize resources, the Corporate Purchasing Directorate manages the centralization of those purchases of goods and services relevant for the Group. Thus, nearly all relevant purchases of goods and services corresponding to general purchases, supplies, maintenance services and information technology and communications, as well as CAPEX, are centralized.

The contracting of goods or services that, due to its nature or limited cost, are not suitable for a centralized management must also be guided by the purchasing general principles established in the Purchasing Policy, ensuring also the transparency, efficiency and equity in these purchasing processes.



Environment and Social Actions

Logista in the CDP's "A List" for the second consecutive year

CDP
A LIST
2017
CLIMATE

-4.2%
Total emissions (Tm CO_2e)

The Logista Group is committed to economic development, social welfare and respect for the environment it operates in, developing good environmental practices and participating in social initiatives, mainly at a local level.

Logista's commitments to Society, and particularly to the Environment, are included in its Corporate Policy on CSR in general terms, as well as in the Group's Quality, Environment and Energy Efficiency Policy.

Both Policies are available in the Group's website, both in Spanish and English.

Environment

Logista promotes the respect for the environment among staff, customers, suppliers and the society in general

Accordingly, Logista has a Quality and Environment Director Plan and a Quality, Environment and Energy Efficiency Policy setting the guidelines and good practices to optimize the use of resources and prevent pollution in processes, according to strict regulatory compliance and the Group's targets voluntarily subscribed.

Logista controls and periodically assesses the main environmental and quality indicators identified by the Group for its sustainability performance.

The Group calculates the Carbon Footprint of all its businesses and activities in the different countries where it operates, including most of the Group's outsourced activities, like transport operations and franchises, and indirect activities, like those of acquiring goods and services, water consumption or waste generation.

Thus, Logista has reduced the emissions derived from its direct and indirect activity by 4.21% in the fiscal year 2016, according to the latest available data.

The calculation is based on the Green House Gas Protocol norm and emission factors for reporting Green House Gases and in the UNE-EN-16258 norm to establish the calculation methodology.

An independent audit entity verifies the calculation according to the UNE-EN ISO 14064 norm, ratifying the figures and assuring the process reliability and traceability.

In addition, the Group compiles and analyzes information about water consumption, waste and most relevant materials consumed by the Group.

Logista also establishes efficiency plans in the short, medium and long term by country both for its network of facilities and for its transport networks, even if outsourced, and defines individualized programs that include the follow-up and the systematic control of the attainment of the objectives.

For example, in its vocation for efficiency in the use of resources for transport, it continuously works in optimizing routes and renewing transport fleets agreements introducing efficiency criteria.

- Integra2 has increased its fleet of vehicles working with less polluting fuels, alternative to those derived from petrol, and it is committed to continue the process of incorporating more of these vehicles to its fleet.

- Nacex also keeps its commitment to promote a fleet of sustainable and low emissions transport network among its franchises, already having electric vehicles in its fleet. In this line, Nacex promotes the purchase of electric vehicles by its franchises with commercial agreements with car dealers.

- Logesta continuously incorporates the most efficient technology, prioritizing euro VI motorizations and Green Tech technology.

The Group periodically undertakes energy audits in every country and by each business. The audits, already made in Spain, France, Italy and Portugal have allowed for a complete identification of improvement opportunities, and will be the base for a better planning, execution, monitoring and control of the energy efficiency targets.

In October 2017, CDP again included the Logista Group in its prestigious "A List" group, highlighting Logista as the only European distributor in the list and identifying it as a world leading company in managing Climate Change.

Only 40% of the companies that obtained this distinction last year achieved to keep it. Only 119 companies worldwide are included in the CDP's "A List".

Moreover, Logista collaborates with organizations and stakeholders favouring improving quality and the environment, and participates and promotes initiatives on environmental protection. Thus, Logista is founding member, together with other Spanish companies, of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), to work together and to transfer to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources.

Also, the Logista Group develops awareness initiatives, such as disseminating actions the Group carries out on these matters, to increase the knowledge and commitment of employees, etc. through the collaborative intranet, etc..

Contact for any doubt, suggestion or comment related to the Group's quality and environmental management is: calidadymedioambiente@logista.es.

Logista is founding member, together with other Spanish companies, of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth)

Grupo Español Crecimiento Verde

Social Actions

Logista and its companies actively collaborate in several solidarity actions, mainly at a local level.

Humanitarian, welfare and integrating initiatives

The Logista Group's transport networks, Nacex and Integra2, donate their services to several projects by collecting, transporting and delivering food, pharmaceuticals and other products such as gifts, books, etc., to parishes, social lunchrooms, etc. in Spain.

Thus, in the fiscal year 2017, Nacex and Integra2 collaborated with organizations such as Food Bank, Olvidados Foundation, Cáritas or Pharmaceutical Bank and with the "Que no falte de nada" campaign.

The Group's subsidiary for long haul transport management, Logesta, also supported international initiatives, like transporting to a refugees camp at Katsikas (Greece) all kind of food products (particularly child food), diapers, personal hygiene products, toys and sporting clothes, sunscreen, etc. in collaboration with the Olvidados Foundation.

Logista France's employees provided some 1,000 toys, books and teddy bears in collaboration with "Le secours populaire" to improve the Christmas season for unfavoured families in France. Employees in Spain participated in the food collection by the Olvidados Foundation.

The Group also supported other international initiatives. As an example, Nacex collaborated with Ayuda en Acción, as official courier of the Ayuda en Acción Christmas cards campaign, used by the NGO to start the "Emergency Project Help to Ecuador".

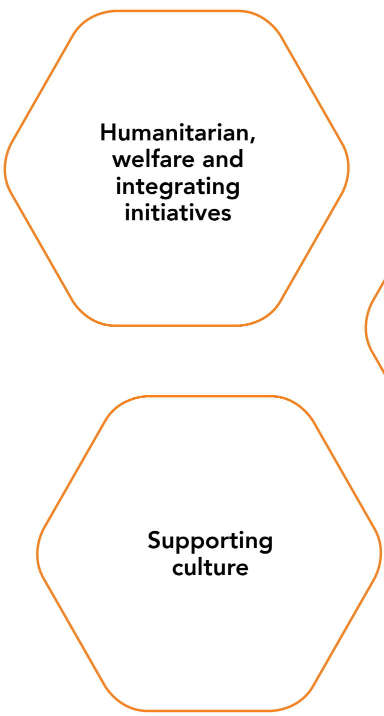
Moreover, Logesta kept fostering kids in Cambodia, Peru and Guatemala to achieve self-sufficiency of communities in education, culture, food safety, health, infrastructures, production and qualification.

The Group also supports events for raising awareness and supporting research on diseases, collaborating with organizations like Odyssea, Muddy Angel, Josep Carreras Foundation, Pink Panther, Corresolidaris, San Filippo, Spanish Federation of Rare Diseases (FEDER) or the Multiple Sclerosis Foundation.

About 12% of Logista France's staff in the Paris region and 14% in the Lyon region took part in races raising funds for fighting breast cancer, while Logista in Spain organized a solidarity paddle tournament in Madrid in favour of Cruz Roja.

Nacex, VIP Partner Company of the Josep Carreras Foundation, sponsored a tournament to raise funds against leukaemia and donated part of the funds raised during the NACEX Barça-Real Madrid golf and paddle tennis Challenge for former football players.

Integra2 kept collecting plastic caps to fund the research on rare diseases and supported the campaign to build the SJD Pediatric Cancer Center in Barcelona, while Nacex sponsored the charity race "Cursa de Reis".



Also, Nacex delivered over 400 charity packs to associations and collaborating entities for the Rare Diseases World Day campaign, collaborated with the Mulla't event and donated in the TV3's Marató to fight ictus and traumatic bone-marrow and brain injuries.

In an initiative recognized as runner up in the Corresponsables Awards, Nacex helped the Servicio Solidario Foundation and its Recicla Cultura initiative to raise awareness on difficulties for immigrant people in learning our language. Nacex involved its collaborators by collecting books and acquired over 300 books for employees in the Book Day.

Logista organized with Cruz Roja two blood donation campaigns, facilitating employees donating blood in buses of the organization at the Group's facilities in Leganés.

Promoting Sports

The Group, through its subsidiaries, promotes sports initiatives, particularly those focused on young people and integrating and seeking participation of disabled athletes. At that aim, it collaborates with organizations like Pere Suñé Foundation, GLT Sports, Johan Cruyff Foundation or the Dedines Association of forces of law and order, armed forces and emergency services.

In promoting sports among young people, Nacex sponsored the basketball Nacex International Training Workout Campus, the football Andrés Iniesta and Media Base Sports Campus, and devoted part of the funds raised in the NACEX golf and paddle tennis Challenge for former FC Barcelona and Real Madrid football players.

Meanwhile, Integra2 collaborated with the Terrassa Paddle Tennis Club and, together with the Cáceres delegation, sponsored the Integra2 Navalmoral Indoor Football boosting all its teams, from the lowest to the senior team.

Nacex collaborated in the International Meeting for disabled athletes and in the Territori Special international competition for intellectual disabled athletes in tennis, basketball and cycling, with over 600 athletes. Integra2 provided promotional equipment for attendants and volunteers in the V Race for Disability.

Regarding other sponsorships, the NacexJ80 sailing team clinched Catalonia's second place. Integra2 sponsored the IV Extremadura-Moto Challenge, the young rally racing driver Roberto Blach Jr and Roberto Ijalba's Boldor Rioja Classic team promoting classic motorbikes.

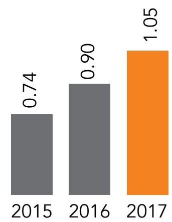
Integra2 collaborated with the Almería delegation in the Chess and Computers Training Journeys, with the Indalo Chess Club and in organizing and promoting the PRO-AM Golf Tournament, which scores in the Spain Championship. It also supported sport actions by Integra2 Vigo and Murcia.

Culture

The www.rutaintegra2.es portal on popular food festivities in Spain promotes local gastronomic culture and brings the food industry closer from a digital point of view.

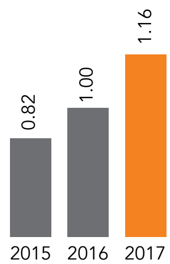
Integra2 also sponsored Mikel Silvestre, the adventurer crossing America in his motorbike to learn about the history and places of Spanish explorers in the continent. A 30,000Km journey to learn part of Spain's history in the continent through 13 chapters broadcasted by Spanish RTVE's La 2 channel.

Also, Logista Italia collaborated in the restoration of the painting "Santa Teresa di Gesù".



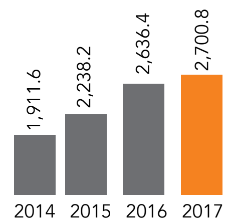
1.05

Dividends (€ per share)



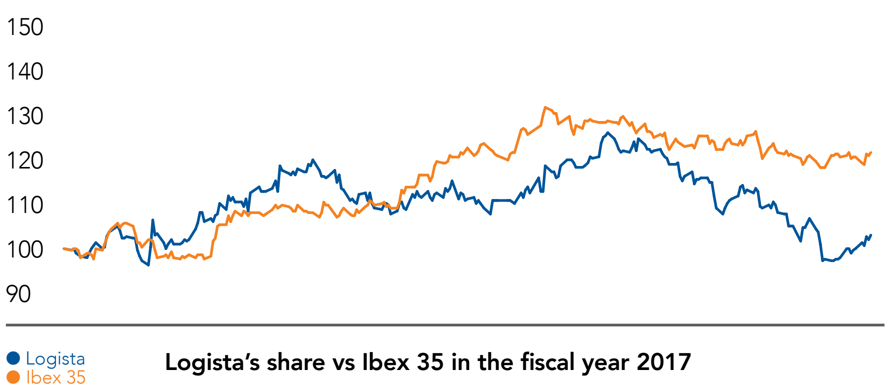
1.16

EPS (€)

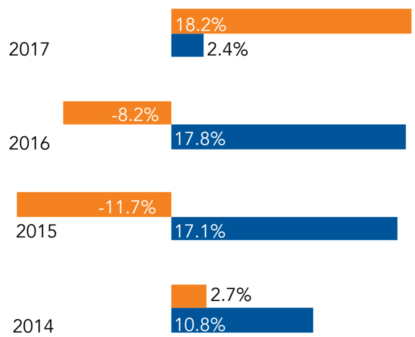


2,700.8

Market capitalization (€m)



Logista's share vs Ibex 35 in the fiscal year 2017



Logista's share vs Ibex 35

	2014*	2015	2016	2017
Market capitalization at the end of fiscal year (€m)	1,911.6	2,238.2	2,636.4	2,700.8
Closing price (€)	14.4	16.9	19.9	20.3
Maximum price (€)	14.4	20.2	21.6	24.2
Minimum price (€)	13.0	12.9	16.7	19.2
Total Volume	24,614,887	60,184,153	40,296,050	35,104,389
Average daily volume	431,840	236,016	156,186	137,127
Rotation (% of share capital)	18.5%	45.3%	30.4%	26.4%
Revaluation during the fiscal year (%)	**10.8%**	**17.1%**	**17.8%**	**2.4%**

*Since July 14th, 2014: IPO. Source: Bloomberg

Logista in the Stock Market

Logista's share closed the fiscal year, comprising from October 1, 2016 to September 30, 2017, at a €20.3 price, after a 2.4% revaluation. During that same period, the IBEX increased by 18.2%.

Since its return to the stock markets in July 2014 and until the close of this fiscal year, Logista has revalued at a 12.2% annual rate, compared to an average annual decline of the IBEX of 1.4% during the same period.

Since December 2014, Logista is part of the IBEX MEDIUM CAP index, which includes the largest companies in terms of market capitalization, adjusted by free float, after those included in the IBEX 35 index.

Dividends

Logista's dividends policy, subject to approval by the General Shareholders Meeting, consists in an annual pay out of at least 90% of the Consolidated Net Profit.

On August, 2017, Logista paid an interim dividend of €0.30 per share. So, the Company's Board of Directors intends to propose to the General Shareholders Meeting distributing a final dividend corresponding to the fiscal year 2017 of €0.75 per share that will be payable at the end of the second quarter of fiscal year 2018.

Accordingly, the total dividend indebted to fiscal year 2017 will be €1.05 per share, a 16.7% higher than the total dividend indebted to the previous fiscal year.

Capital structure

As of 30 September 2017, Logista had a share capital, fully subscribed and paid, of €26,550,000, represented by 132,750,000 shares of €0.20 par value. All shares are of a single class and series with the same rights.

As of such date, and according to the information reported to the CNMV by shareholders, the significant shareholdings of the Group are:

"Pay out"
90%
of Net Profit

Dividend of
1.05€
per share,
+16.7%

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
Imperial Brands Plc	0	79,650,001	60.00%
Allianz Global Investors GmbH	0	6,605,632	4.976%
Allianz Global Investors Fund	4,197,259	0	3.162%
Other investor's companies	2,408,373	0	1.814%
Capital Research and Management Company	0	4,145,094	3.1225%
BlackRock, Inc	0	6,082,739	4.582%
BlackRock Investment Management (UK) Limited	4,772,363	0	3.595%
Other investor's companies	1,310,376	0	0.987%

During the fiscal year 2017, the most significant movements in the shareholding structure have been the decrease of the Imperial Brands Plc stake to 60%, after a 10% placement of the Company's capital on September 7th, 2017; the decrease of Allianz Global Investors GmbH stake below 5% on March 6th, 2017; and the stake increases by Capital Research and Management Company to 3.1% on August 3rd, 2017 and by BlackRock to 4.6% on September 7th, 2017.

At September 30th, 2017, Logista has 391,432 own shares, representing 0.29% of the share capital, in order to meet the commitment of shares distribution resulting from the Company's 2014 General and Special Plans of Shares.

Investor Relations

The Group's Investor Relations and Strategic Analysis department manages the relationship with shareholders and investors. It holds a constant and bidirectional communication with shareholders and investors through several communication channels, with the goal of knowing the expectations and concerns that they may have and attend them effectively.

The Group's Policy on Information and Communications with shareholders, the securities markets and the public opinion establishes the information, communications and contact instruments the Company has, and defines the criteria when communicating and contacting shareholders, analysts and large investors.

The Policy on Information and Communications with shareholders, the securities markets and public opinion also rules the information provided by the Company to the media through press releases on the Group's results and businesses developments, contracts signed or any other aspect deemed as relevant.

In the Shareholders and Investors section of the corporate website, www.grupologista.com, the Logista Group provides relevant information for investors, such as relevant facts sent to the CNMV, economic-financial information, share price performance, information related to the General Shareholders Meeting, etc..

The Annual Report comprising the Annual Accounts, Annual Report on Corporate Governance, Annual Report on Remunerations of Directors and Annual Report on Corporate Social Responsibility is also available in this section both in English and Spanish.

Communication channels

The Annual Accounts are externally audited expressing their opinion that, in all significant aspects, they show the true image about the company's equity and financial position, according to the EU and Spanish financial information regulations.

This opinion has been jointly formulated for the first time by two audit firms. Logista is the first listed company in Spain being co-audited.

The information related to the Internal Control System about Financial Information is also externally audited, expressing that there are not inconsistencies or incidences that may affect the information.

Shareholders participation

Logista grants the right to attend the General Shareholders Meeting to every shareholder on an equal and equitable basis, notwithstanding the number of shares owned.

In the General Shareholders Meeting call, besides the agenda, Logista provides shareholders with all documents required by law and by its internal regulations, as well as the details about the information services to shareholders and, if applicable, information on the available systems facilitating remote monitoring or attendance.

Logista so promotes the role of the General Shareholders Meeting as the sovereing body of the Company and the main participation channel for shareholders in the Company's decisions-making. Also, shareholders have the opportunity of sharing their opinions and concerns with the Board of Directors and the rest of shareholders.

Risks management

Logista prudently and responsibly manages all risks, both financial and non-financial.

The Group carries out different activities in several countries and markets, and is therefore exposed to different external and internal risks that may affect the achievement of its strategic or operational objectives.

The Logista's Policy on Risks Management establishes the general framework for the Group to control and manage the internal and/or external risks of any nature that may affect it, including environmental, business, decision-making, financial, regulation compliance, operational or reputational risks.

By applying this Policy, business managers and corporate directorates obtain all information of the Group's different functions and operations in an integrated manner, facilitating the efficient and effective management of risk, and minimizing the impacts if they were to materialize. The methodology for the Group's risk management is exhaustively explained in sections E and F of the Annual Report on Corporate Governance 2017.

Logista also applies other corporate policies to optimize the risk prevention, such as the Policy on Information Systems Security and the Purchasing Policy, among others.

88.8%

of the present or represented capital at the General Shareholders Meeting

Logista is the first listed company in Spain being co-audited

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended 30 September 2017 and consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Logista

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on Consolidated Financial Statements

To the Shareholders of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2017").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 30 September 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte, S.L. Registered office: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, Spain
Tel.: +34 915 145 000 Fax: +34 915 145 180, www.deloitte.es
Madrid Mercantile Register, volume 13.650, section 8, sheet 188, page M-54414, entry no. 96
Registered in ROAC under no. S0692 - Employer Identification Number: B-79104469.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Paseo de la Castellana 259 B, 28046 Madrid, Spain
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es
Madrid Mercantile Register, page 87.250-1, sheet 75, volume 9.267, book 8.054, section 3
Registered in ROAC under no. S0242 - Employer Identification Number: B-79031290

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the Matters Were Addressed in the Audit
Recognition of tobacco sales revenue Tobacco sales, which represent 95% of the Group's total sales, relate to the goods delivered, net of discounts, VAT, excise duties on tobacco products and other sales-related taxes. Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, since it gives rise to accounts receivable that are convertible into cash in a short period of time and with historically immaterial sales returns percentages, it does involve the consideration of specific circumstances associated with the various conditions agreed with manufacturers and with the taxes and levies applicable in each jurisdiction. Accordingly, this matter was an area of significant auditor attention in our audit. There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, excise duties, vendor's commissions, etc.).	Our audit procedures included checking the effectiveness of the controls over the sales-accounts receivable process and substantive procedures such as: • Checking the design, implementation and operating effectiveness of the relevant controls (including information system controls) supporting the accuracy of the sales, as well as the automatic sales invoice accounting and recognition procedure, for which purpose we involved our technology and systems specialists. • Analysing whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis manufacturers and customers. • Evaluating the reasonableness of the sales volumes and margins for 2017 with respect to the trends in previous years, and checking these data against the information furnished by internal Group and external sources. • Performing tests of details on a sample of recognised sales. • Performing combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue and trade receivables accounts. No material exceptions or misstatements were observed as a result of our procedures. Notes 4.15, 23.a and 24 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's tobacco sales revenue.

Key Audit Matters	How the Matters Were Addressed in the Audit
Deferred tax and provisions for tax contingencies The consolidated balance sheet as at 30 September 2017 includes a balance of EUR 307 million relating to deferred tax liabilities and provisions for tax contingencies associated with the tax assessments issued for excise duties on tobacco products, customs duties and other taxes. The aforementioned amount includes EUR 299 million relating to deferred tax liabilities and EUR 8 million associated with provisions for tax contingencies. The core activity -the sale of tobacco- is subject to specific tax legislation that is complex due to the various geographical segments in which the Group operates. At the end of 2017 various tax proceedings were in progress which require a significant level of judgement on the part of Group management in order to estimate the probability that the related liabilities will materialise. The Group bases its estimates on the opinion of its external tax advisers. Due to the complexity of the calculations of these taxes and of the tax regulations in force in the various jurisdictions, as well as the significant judgement used by the Group to estimate the aforementioned provisions and the income tax expense, we consider this to be a significant area for our attention.	Our audit procedures included, among others, the involvement of our tax experts in the aforementioned area in order to evaluate the reasonableness of the provisions and deferred tax liabilities recognised and of the estimated income tax expense for the year. In addition, we requested (and analysed the related confirmation) that the Group's internal legal advisory department and its tax advisers provide us with a detailed description of the criteria and basis for their conclusions in relation to the proceedings in progress, which served as support for management when defining the classification and amount of the provisions recognised by the Group. As a result of our procedures, we consider that, in the context of the Group's consolidated financial statements taken as a whole, the judgements made by management and the disclosures presented in relation to deferred tax liabilities and provisions for tax contingencies are consistent with our assessment. Notes 18 and 19 to the accompanying consolidated financial statements contain the disclosures and information relating to this area of interest.

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Key Audit Matters	How the Matters Were Addressed in the Audit
Impairment of goodwill and of other intangible assets The consolidated balance sheet as at 30 September 2017 includes goodwill amounting to EUR 926 million resulting from corporate acquisitions, and other intangible assets with finite useful lives amounting to EUR 518 million associated with the distribution agreements with the main tobacco manufacturers in France. Under EU-IFRSs, the Group is required to annually test these assets for impairment. This impairment test was significant to our audit because management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions. The main assumptions considered are the discount rate, the short- and long-term growth rates, the changes in working capital and the estimated future margins, the future evolution of which will depend on market performance and the economic and regulatory conditions that arise in the various geographical segments -mainly France and Italy- with which the aforementioned assets are associated. As described in Notes 7 and 8 to the consolidated financial statements, management concluded that, based on the sensitivity analyses performed by it separately for each of the assumptions considered, no impairment losses would be disclosed.	Our audit procedures included, among others, the review of the relevant processes and controls implemented by the Company in order to assess the impairment of goodwill and other intangible assets. We reviewed the cash flow projections and the process used to prepare them, which included comparing the projections with the latest plans approved by the Board from which they are derived, and we obtained and re-performed the underlying calculations. Also, we used valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various areas, as well as the reasonableness of the growth rates, where appropriate. For the aforementioned assumptions we reviewed the sensitivity analyses conducted by management. We consider the assumptions to be reasonable and conclude that management's approach is consistent and is supported by the available evidence. Lastly, we focused our work on reviewing the disclosures made by the Group in relation to these assets, especially those relating to the sensitivity analyses of the key assumptions. Note 7 to the accompanying consolidated financial statements contains the disclosures relating to the impairment tests performed and, in particular, the detail of the main assumptions used and the sensitivity analysis of changes in the key assumptions in the tests.

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Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the consolidated directors' report is consistent with the consolidated financial statements, based on our knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit. Also, our responsibility consists of evaluating and reporting on whether the content and presentation of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

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Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the de Compañía de Distribución Integral Logista Holdings, S.A. audit committee dated 2 November 2017.

Engagement Period

The Annual General Meeting held on 21 March 2017 appointed us as joint auditors of the Group for a period of three years from the year ended 30 September 2017.

Previously, Deloitte, S.L. had been designated pursuant to a resolution of the General Meeting for the period of three years from the year ended 30 September 2014, the first year following the incorporation of the Parent.

Services Provided

The additional services, other than financial audit services, provided to the Group were those described in Note 23.g to the accompanying consolidated financial statements for 2017.

Deloitte, S.L. (S0692)

José Luis Aller (nº ROAC 17072)

2 November 2017

PricewaterhouseCoopers Auditores, S.L. (S0242)

Raúl Llorente Adrián (nº ROAC 20613)

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

ASSETS	Notes	30-09-2017	30-09-2016
NON-CURRENT ASSETS:		**1,705,568**	**1,781,022**
Property, plant and equipment	6	187,620	189,841
Investment property		18,374	18,732
Goodwill	7	925,679	919,104
Other intangible assets	8	547,846	602,363
Investments in associates		1,584	1,401
Other non-current financial assets	9	4,521	27,182
Deferred tax assets	19	19,944	22,399
CURRENT ASSETS:		**4,837,180**	**4,941,695**
Inventories	10	1,122,622	1,085,829
Trade and other receivables	11	1,747,338	1,777,162
Tax receivables	19	36,759	7,596
Other current financial assets	9	1,821,726	2,039,101
Cash and cash equivalents	12	101,808	23,625
Other current assets		6,914	8,382
NON-CURRENT ASSETS HELD FOR SALE		**13**	**100**
TOTAL ASSETS		**6,542,748**	**6,722,817**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated balance sheet at 30 September 2017.

EQUITY AND LIABILITIES	Notes	30-09-2017	30-09-2016
EQUITY:		**502,433**	**491,868**
Share capital	13	26,550	26,550
Share premium	14	867,808	867,808
Reserves of the Parent	14	16,706	10,828
Reorganisation reserves	14	(753,349)	(753,349)
Reserves at consolidated companies	15	216,374	223,914
Translation differences		90	107
Reserve for first-time application of IFRSs	14	19,950	19,950
Consolidated profit for the period		153,862	132,079
Interim dividend	14	(39,708)	(33,119)
Treasury shares	14	(7,716)	(5,032)
Equity attributable to shareholders of the Parent		500,567	489,736
Minority interests	16	1,866	2,132

NON-CURRENT LIABILITIES:		**340,534**	**366,309**
Other financial non-current liabilities		4,880	4,743
Other non-current liabilities		-	19
Long-term provisions	18	36,686	32,830
Deferred tax liabilities	19	298,968	328,717

CURRENT LIABILITIES:		**5,699,781**	**5,864,640**
Other current financial liabilities	20	34,371	33,627
Trade and other payables	21	1,023,707	888,055
Tax payables	19	4,564,404	4,784,977
Short-term provisions	18	13,728	17,138
Other current liabilities		63,571	140,843
TOTAL EQUITY AND LIABILITIES		**6,542,748**	**6,722,817**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

	Notes	2017	2016
Revenue	23.a	**9,493,241**	**9,632,004**
Procurements		**(8,443,546)**	**(8,593,922)**
GROSS PROFIT		**1,049,695**	**1,038,082**
Cost of logistics networks:		**(744,020)**	**(720,932)**
Staff costs	23.b	(176,481)	(169,740)
Transport costs		(222,691)	(212,891)
Provincial sales office expenses		(72,610)	(73,664)
Depreciation and amortisation charge	4,2, 6 & 8	(85,210)	(88,894)
Other operating expenses	23.c	(187,028)	(175,743)
Commercial expenses:		**(65,902)**	**(64,445)**
Staff costs	23.b	(44,080)	(42,939)
Other operating expenses	23.c	(21,822)	(21,506)
Research expenses		**(2,066)**	**(1,805)**
Head office expenses:		**(80,160)**	**(74,888)**
Staff costs	23.b	(57,157)	(54,132)
Depreciation and amortisation charge	4,2, 6 & 8	(1,541)	(1,284)
Other operating expenses	23.c	(21,462)	(19,472)
Share of results of companies		734	902
Net gain on disposal and impairment of non-current assets	6 & 8	(258)	255
Other expenses		(24)	(26)
PROFIT FROM OPERATIONS		**157,999**	**177,143**
Finance income	23.e	31,375	14,520
Finance costs	23.f	(1,416)	(3,899)
PROFIT BEFORE TAX		**187,958**	**187,764**
Income tax	19	(34,315)	(55,236)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**153,643**	**132,528**
Result for the period from discontinued operations net of tax		(42)	(120)
PROFIT FOR THE PERIOD		**153,601**	**132,408**
Attributable to:			
Shareholders of the Parent		**153,862**	**132,079**
Minority interests	16	(261)	329
BASIC EARNINGS PER SHARE	5	**1.16**	**1.00**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated income statements for 2017.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros).

	Notes	2017	2016
PROFIT FOR THE YEAR		**153,601**	**132,408**
Net actuarial gain (loss) recognised directly in equity	18	1,551	(1,329)
Foreign exchange rate changes		(17)	(29)
TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY		**1,534**	**(1,358)**
TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR		**155,135**	**131,050**

Attributable to:		
Shareholders of the Parent	**155,396**	**130,721**
Minority interests	(261)	329
TOTAL ATTRIBUTABLE	**155,135**	**131,050**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2017.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorga-nisation Reserves	Reserves at Consolidated Companies	Translation Differences
BALANCE AT 30 SEPTEMBER 2015	**26,550**	**867,808**	**359**	**(753,349)**	**204,498**	**136**
Net profit for 2016 attributable to the Parent	-	-	-	-	-	(29)
Loss attributable to minority interests	-	-	-	-	-	-
Actuarial gains / (losses)	-	-	-	-	(1,329)	-
Income and expenses recognised in the period	**-**	**-**	**-**	**-**	**(1,329)**	**(29)**
Transactions with Shareholders:						
Distribution of profit						
To reserves	-	-	8,697	-	2,382	-
To dividends	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
On treasury shares operations	-	-	-	-	-	-
Incentive Plan (Note 4.12)	-	-	1,772	-	-	-
Others (Note 9)	-	-	-	-	18,363	-
BALANCE AT 30 SEPTEMBER 2016	**26,550**	**867,808**	**10,828**	**(753,349)**	**223,914**	**107**
Net profit for 2017 attributable to the Parent	-	-	-	-	-	(17)
Loss attributable to minority interests	-	-	-	-	-	-
Actuarial gains / (losses)	-	-	-	-	1,551	-
Income and expenses recognised in the period	**-**	**-**	**-**	**-**	**1,551**	**(17)**
Transactions with Shareholders:						
Distribution of profit						
To reserves	-	-	3,671	-	9,272	-
To dividends	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
On treasury shares operations	-	-	-	-	-	-
Incentive Plan (Note 4.12)	-	-	2,207	-	-	-
Others (Note 9)	-	-	-	-	(18,363)	-
BALANCE AT 30 SEPTEMBER 2017	**26,550**	**867,808**	**16,706**	**(753,349)**	**216,374**	**90**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2017.

Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Treasury Shares	Equity Attributable to Shareholders of the Parent	Minority Interests	Total Equity
19,950	**109,193**	**(31,860)**	**(670)**	**442,615**	**1,815**	**444,430**
-	132,079	-	-	132,050	-	132,050
-	-	-	-	-	329	329
-	-	-	-	(1,329)	-	(1,329)
-	**132,079**	**-**	**-**	**130,721**	**329**	**131,050**
-	(11,079)	-	-	-	-	-
-	(98,114)	31,860	-	(66,254)	-	(66,254)
-	-	(33,119)	-	(33,119)	-	(33,119)
-	-	-	(4,362)	(4,362)	-	(4,362)
-	-	-	-	1,772	-	1,772
-	-	-	-	18,363	(12)	18,351
19,950	**132,079**	**(33,119)**	**(5,032)**	**489,736**	**2,132**	**491,868**
-	153,862	-	-	153,845	-	153,845
-	-	-	-	-	(261)	(261)
-	-	-	-	1,551	-	1,551
-	**153,862**	**-**	**-**	**155,396**	**(261)**	**155,135**
-	(12,943)	-	-	-	-	-
-	(119,136)	33,119	-	(86,017)	-	(86,017)
-	-	(39,708)	-	(39,708)	-	(39,708)
-	-	-	(2,684)	(2,684)	-	(2,684)
-	-	-	-	2,207	-	2,207
-	-	-	-	(18,363)	(5)	(18,368)
19,950	**153,862**	**(39,708)**	**(7,716)**	**500,567**	**1,866**	**502,433**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

	Notes	2017	2016
OPERATING ACTIVITIES:		**4,236**	**388,637**
Consolidated profit before tax from continuing operations		**187,958**	**187,764**
Adjustments for:		**64,373**	**82,348**
Result of companies accounted for using the equity method		(734)	(902)
Depreciation and amortisation charge	Notes 6 & 8	86,751	90,247
Change in provisions		338	-
Provisions recognised/ (reversed)		8,058	3,879
Proceeds from disposal of non-current assets	Notes 6 & 8	(81)	(255)
Financial profit		(29,959)	(10,621)
Net change in assets / liabilities		**(248,095)**	**118,525**
(Increase)/Decrease in inventories		(35,705)	(22,528)
(Increase)/Decrease in trade and other receivables		48,341	(14,837)
Increase/(Decrease) in trade payables		133,791	(9,585)
Increase/(Decrease) in other current liabilities		(305,580)	194,826
Increase (Decrease) in other non-current liabilities		8,638	(135)
Income tax paid		(109,176)	(39,837)
Finance income and costs		11,596	10,621
INVESTING ACTIVITIES:		**202,089**	**(285,701)**
Payment for investment			
Property, plant and equipment	Note 6	(21,613)	(15,818)
Intangible assets	Note 8	(7,343)	(9,077)
Group companies and associates		(10,116)	-
Other current financial assets		-	(263,057)
Proceeds from financial divestments			
Property, plant and equipment	Note 6	706	2,251
Intangible assets		30	-
Other financial assets		217,758	-
Non current assets held for sale		22,667	-
FINANCING ACTIVITIES:		**(128,142)**	**(102,025)**
Payment of dividends and remuneration of other equity instruments			
Dividends	Note 14	(125,725)	(99,373)
Proceeds and payments of equity instruments			
Acquisition of treasury shares (-)	Note 14	(3,161)	(4,362)
Proceeds and payments for financial liability instruments			
Repayment and amortization of:			
Current borrowings		744	(252)
Other payables		-	(7)
Debt issuance		**-**	**1,969**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**78,183**	**911**
Cash and cash equivalents at beginning of year		**23,625**	**22,714**
Net change in cash and cash equivalents during the year		78,183	911
Total cash and cash equivalents at end of year		**101,808**	**23,625**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated cash flow statement for 2017.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information on the Group

Compañía de Distribución Integral Logista Holdings, S.A., hereinafter "the Parent company", was incorporated as a sociedad anónima (Spanish public limited company) on 13 May 2014, with its sole shareholder being Altadis, S.A.U., a company belonging to the Imperial Brands Group PLC. On 4 June 2014, the Company effected a capital increase with all shares subscribed by Altadis, S.A.U. through non-monetary contribution of shares representing 100% of the share capital of Compañía de Distribución Integral Logista, S.A.U., until that time the parent company of the Logista Group, from then onwards, the Company became the Parent of the aforementioned Group.

The Company has registered office at Polígono Industrial Polvoranca, calle Trigo, no. 39, Leganés (Madrid), being the Parent of the Group, the operating company of which is Compañía de Distribución Integral Logista, S.A.U..

The offering of shares in the Parent Company came to an end on 14 July 2014, and its shares are currently listed for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2016 will hereinafter be referred to as "2016", the period ended 30 September 2017 as "2017", and so on.

The Group, a distributor and logistics operator, provides various distribution channels with a wide range of value added products and services, including tobacco and related tobacco products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. The Group provides these services through a complete infrastructure network which spans the whole value chain, from picking to POS delivery.

Compañía de Distribución Integral Logista Holdings, S.A. is the head of a group of domestic and foreign subsidiaries that engage in various business activities and which compose, together with itself, the Logista Group (hereinafter "the Group").

A detail of the investees included in the scope of consolidation comprising the Logista Group at 30 September 2017 and 2016 is provided in Appendices I and II, which includes, inter alia, the percentage and cost of the ownership interest held by the Parent and the line of business, company name and registered office of each investee.

In turn, Altadis, S.A.U., the majority shareholder of the Parent, belongs to the Imperial Brands Group PLC., which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands Group PLC for 2016 were formally prepared by its Directors at the Board of Directors meeting held on 8 November 2016.

2. Basis of presentation of the financial statements and basis of consolidation

2.1 Authorisation for issue of the consolidated financial statements

These consolidated financial statements were formally prepared by the directors of the Parent in accordance with the regulatory financial reporting framework applicable to the Group, which consists of:

a. The Commercial Code and all other Spanish corporate law.

b. International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) no, 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures.

c. All other applicable accounting legislation.

The accompanying consolidated financial statements, which were obtained from the accounting records of the Company and of its subsidiaries, are presented in accordance with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2017. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 31 October 2017. The directors of Compañía de Distribución Integral Logista Holdings, S.A. will submit these consolidated financial statements for approval by the Shareholders, and it is considered that they will be approved without any changes.

The consolidated financial statements for 2016 were formally approved by the General Shareholders' Meeting on 21 March 2017.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2017 are summarised in Note 4.

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2017 the following standards, amendments to standards and interpretations came into force, which, if applicable, were applied by the Group in the preparation of the consolidated financial statements:

Standards and Modifications Thereof	Contents	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation (published in May 2014)	It clarifies the methods acceptable for depreciation and amortisation of property, plant and equipment and intangible assets.	1 January 2016
Amendment to IFRS 11 Accounting for acquisition of interests in joint ventures (published in May 2014)	It specifies how to account for the acquisition of interests in a joint venture whose activity constitutes a business.	1 January 2016
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (published in May 2011)	It specifies how to account the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016
Amendment to IAS 27 Equity method in separate financial statements (published in August 2014)	Equity method will be allowed to be applied to the individual statements.	1 January 2016
Improvement to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (December 2014)	Clarification on the exception for consolidation of investment companies.	1 January 2016

2.3 Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union:

Standards and Modifications Thereof	Contents	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 12 Recognitions of deferred asset taxes for unrealized losses (published in January 19, 2016) (a)	It refers to the DTS of available items for the sale of debt with fair value less than the cost.	1 January 2017
Amendment to IAS 7 Initiative of itemizations (published in January 29, 2016) (a)	Reconciliation of changes in liabilities in the balance sheet with flows from financing activities.	1 January 2017
IFRS 9 Financial Instruments. Classification, valuation, recognition and derecognition (last phase published in July 2014)	It replaces the requirement for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	1 January 2018
IFRS 15 – Revenue from Contracts with Customers (published in May 2014)	New income recognition standard (replaced IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (a)	Limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share based payments, the classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018
IFRS 16 Leases (published in January 2016) (a)	New standard on leases that replaces IAS 17. Lessees will include all leases on the balance sheet as if they were financial purchases.	1 January 2019

(a) Standards not yet adopted by the European Union.

The assessment made by the Parent's directors of the main effects that the application of the aforementioned standards might have on the accompanying consolidated financial statements is as follows:

IFRS 9 – Financial Instruments

IFRS 9 establishes the requirements for the recognition, measurement, impairment, disposal of, and accounting for, general hedges.

The Group is assessing the impact of the application of this standard and has reached the preliminary conclusion that its entry into force will not have a material effect on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

The objective of this standard is to determine the accounting treatment of revenue from the sale of goods and the provision of services to a customer. Revenue that does not arise from a contract with a customer falls outside the scope of IFRS 15. The core principle of the standard is that an entity should recognize its revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group, in assessing the impact of the application of this standard, has reached the conclusion that its entry into force will not have a material effect on the consolidated financial statements.

IFRS 16 - Leases

Almost all leases shall be recognised in the balance sheet, since the distinction between operating and finance leases is eliminated. Under the new standard, an asset (the right to use the leased item) and a financial liability for the lease payments are recognised. The only exceptions are short-term leases and leases for which the underlying asset is of low value.

The Group is in the process of assessing the impact of the application of this standard.

2.4 Information relating to 2016

As required by IAS 1, the information relating to 2016 contained in these notes to the consolidated financial statements is presented with the information relating to 2017 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2016.

2.5 Presentation currency

These consolidated financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than the euro are recognised in accordance with the policies described in Note 4.14.

2.6 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In preparing the consolidated financial statements for 2017, estimates were made by the Group's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement and impairment of goodwill and of certain intangible assets.

- The assumptions used in the actuarial calculations of the pension liabilities and other obligations to employees.

- The useful life of the property, plant and equipment and intangible assets.

- The valuation of long-term incentive plans.

- The calculation of the required provisions, including fiscal risks.

- The measurement and calculation of deferred tax assets and liabilities.

Although these estimates were made on the basis of the best information available at 2017 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.7 Basis of consolidation

2.7.1 Subsidiaries

Subsidiaries are defined as companies included in the scope of consolidation which the Parent manages directly or indirectly because it holds a majority of the voting rights in their representation and decision-making bodies or over which it has the capacity to exercise control.

The financial statements of the subsidiaries are fully consolidated. Accordingly, all material balances and transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The share of minority interests of the equity and profit of the Group is presented under "Minority Interests" in the consolidated balance sheet and under "Profit/Loss for the Year Attributable to Minority Interests" in the consolidated income statement, respectively.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or until the date of disposal, as appropriate.

2.7.2 Joint ventures and joint operations

"Joint ventures" are deemed to be ventures that are managed jointly by a Group company and third parties unrelated to the Group, where neither party can exercise greater control than the other. The financial statements of the joint ventures are proportionately consolidated.

In addition, a joint operation (unincorporated joint venture or "UTE") is a joint arrangement whereby the parties have rights to the corresponding assets, and liabilities, relating to the arrangement. Accordingly, the assigned assets and liabilities are presented by the Group in its consolidated balance sheet, in proportion to its ownership interest, and of the jointly incurred liabilities, classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items. In addition, the proportional part corresponding to the Group of the related items of the joint venture is included in the statement of changes in equity and the statement of cash flows.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

2.7.3 Associates

Associates are companies over which the Parent is in a position to exercise significant influence. In general, significant influence is presumed to exist when the Group's percentage of (direct or indirect) ownership exceeds 20% of the voting rights, provided that it does not exceed 50%.

In the consolidated financial statements, investments in associates are accounted for using the equity method (equity accounting), i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate's capital.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support, in which case the related provision would be recorded.

Since the activities of the associates are similar to the Group's habitual management and operations, the results of companies accounted for using the equity method are aggregated to profit or loss from operations.

2.7.4 Translation of foreign currency

The various items in the balance sheets and income statements of the foreign companies included in consolidation were translated to euros as follows:

- Assets and liabilities were translated to euros at the official year-end exchange rates.

- Share capital and reserves were translated to euros at the historical exchange rate.

- Income statement items were translated to euros at the average exchange rate for the year.

The exchange differences arising from the use of these criteria were included in equity under "Reserves at Consolidated Companies - Translation Differences". These translation differences will be recognised as income or expenses in the period in which the investment that gave rise to them is realised or disposed of in full or in part.

In 2017 all of the Logista Group companies presented their financial statements in euros, except for Compañía de Distribución Integral Logista Polska, Sp. z.o.o. and Logesta Polska Sp., z.o.o. (both located in Poland).

2.7.5 Changes in the scope of consolidation and in the ownership interests

The most significant changes in the scope of consolidation in 2017 and 2016 that affect the comparison between years were as follows:

1. Main changes in the scope of consolidation in 2017

Additions and acquisitions

On 13 February 2017, the subsidiary MIDSID -Sociedade Portuguesa de Distribuiçao, S.A. acquired all the shares representing the share capital of José Costa & Rodrigues, Lda. for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Having analysed the fair value of the assets and liabilities acquired, Group management allocated EUR 6,575 thousand to goodwill (see Note 7).

The effect of the aforementioned acquisition in the consolidated balance as of 30 September 2017 was as follows:

	Thousands of Euros
Non-current assets	1,512
Current assets	4,140
Total assets	**5,652**
Current liabilities	(779)
Total liabilities	**(779)**
Net assets acquired	4,873
Consideration as of September 30, 2017	11,448
Goodwill	**6,575**

2. Main changes in the scope of consolidation in 2016

Disposals

On 5 February 2016, the subsidiary Compañía de Distribución Integral de Publicaciones Logista, S.L.U. entered into an agreement for the sale of the ownership interest held by it in Dima Distribución Integral, S.L. (equal to 12,56% of its share capital) to Distribuciones Generales Boyacá, S.L., for the amount of 1 euro. The transaction has not had a significant effect on the Group's interim condensed consolidated financial statements.

On 11 December 2015, the dissolution of Logesta Maroc, S.A. (indirectly owned in a 34% by Logesta Gestión de Transporte, S.A.U.) was registered, which was approved by the Shareholders Extraordinary General Meeting on 28 September 2015. The transaction has not had a significant effect on the Group's interim condensed consolidated financial statements.

2.8 Materiality

In preparing these consolidated financial statements the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

3. Distribution of profit of the Parent

The distribution of the profit for 2017, amounting to EUR 149,102 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserves	10,125
Dividends	99,269
Interim dividend (Note 14-e)	39,708
	149,102

In accordance with current legislation, the Parent Company evaluated the liquidity statement at the approval date of the interim dividend. Based on this evaluation, on 27 July 2017 the Company had EUR 121,180 thousand available, relating to EUR 44,180 thousand that it had lent to Compañía de Distribución Integral Logista, S.A.U., together with the full amount of the credit facility granted to it by Compañía de Distribución Integral Logista, S.A.U. (the maximum drawable amount of which was EUR 77 million).

4. Accounting principles and policies and measurement bases

The principal measurement bases and accounting principles and policies applied in preparing the consolidated financial statements for 2017 in accordance with the IFRSs in force at the date of the related financial statements are described below.

4.1 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less any accumulated depreciation.

The upkeep and maintenance costs of the various items of property, plant and equipment are recognised in the income statement as incurred. The amounts invested in improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of direct and general manufacturing costs).

The consolidated companies depreciate their property, plant and equipment using the straight-line method, applying annual depreciation rates determined on the basis of the years of estimated useful life of the related assets. The depreciation rates applied are as follows:

	Annual Depreciation Rates (%)
Buildings	2-4
Plant and machinery	10-12
Other fixtures, tools and furniture	8-16
Other items of property, plant and equipment	12-16

Land is considered to have an indefinite useful life and, therefore, is not depreciated.

4.2 Investment property

Investment property relates to investments in land and buildings held to earn capital gains. Investment property is stated at the lower of cost, less any accumulated depreciation, and market value. Depreciation is recognised using the same methods as those used for items of the same category classified under "Property, Plant and Equipment" (see Note 4.1).

The Group determines periodically the market value of its investment property by reference to the prices of comparable transactions, in-house studies, external appraisals, etc.

4.3 Goodwill

In the company acquisitions, the excess of the cost of the business combination over the interest acquired in the acquisition-date net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Goodwill is only recognised when it has been acquired for consideration.

Goodwill arising from the acquisition of an associate is recognised as an increase in the value of the investment.

Goodwill is not amortised. Accordingly, at the end of each fiscal year, or at any time there are signs of loss of value, the Group assesses, using the "impairment test", if permanent losses exist that reduce the recoverable value of goodwill below the net cost at which they are recorded. If there is any impairment, the goodwill is written down and the impairment loss is recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

To perform the aforementioned impairment test, the goodwill is allocated in full to one or more cash-generating units.

The recoverable amount of each cash-generating unit is the higher of value in use and the net selling price of the assets associated with the cash-generating unit. Value in use is calculated on the basis of the estimated future cash flows, discounted using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the business.

The Group has defined as cash-generating units, based on the actual management of the Group's operations, each of the relevant business operations carried out in the main geographical areas (see Note 24).

The Group uses the budgets and business plans, which generally cover a three-year period, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are built are based on each type of business and the experience with and knowledge of the performance of each of the markets in which the Group operates (see Note 7).

The estimated cash flows are extrapolated to the period not covered by the business plan using a zero growth rate and an expense structure that is similar to that of the last year of the business plan.

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 5.6% to 6.7% in 2017 (see Note 7).

4.4 Intangible assets

Intangible assets with finite useful lives are amortised using the straight-line method, applying annual amortisation rates determined on the basis of the years of the estimated useful lives of the related assets.

Intangible assets comprises:

Concessions, rights and licences

“Concessions, Rights and Licences” includes mainly the amounts paid to acquire certain concessions and licences. The assets included in this account are amortised on a straight-line basis over the term thereof.

Also, as a result of allocating the purchase price of Altadis Distribution France, S.A.S., later named Logista France, S.A.S., to the identifiable assets and liabilities of that company in 2013, the Group recognised in its consolidated balance sheet the agreements entered into by that subsidiary with the main tobacco producers for the distribution of their products in France. The aforementioned distribution agreements are depreciated on a straight-line basis over 15 years.

Computer software

Computer software is recognised at acquisition cost, including the implementation costs billed by third parties, and is amortised on a straight-line basis over a period of three to five years. Computer software maintenance costs are expensed currently.

Research and development expenditure

Research and Development expenditure is only capitalised when it is specifically itemised by project, the related costs can be clearly identified and there are sound reasons to foresee the technical success and economic and commercial profitability of the related project. Assets thus generated are depreciated on a straight-line basis over their years of useful life (over a maximum period of five years).

4.5 Impairment losses on property, plant and equipment and intangible assets

The Group assesses each year the possible existence of permanent losses in value requiring it to reduce the carrying amounts of its property, plant and equipment and intangible assets, if their recoverable amounts are below their carrying amounts.

The recoverable amount is determined using the same methods as those employed in testing for goodwill impairment (see Note 4.3).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the related write-down is recognised through profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the new recoverable amount, which may not exceed the carrying amount that would have been determined had no impairment loss been recognised.

4.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group, which usually has the option to purchase the assets at the end of the lease under the terms and conditions agreed on execution thereof. All other leases are classified as operating leases.

4.6.1 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the Group acts as the lessor, it recognises the operating lease income on a straight-line basis. The amount to be recognised on a straight-line basis is deemed to be the total minimum rental income forecast over the term of the contract, in accordance with the agreed terms and conditions. These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items for own use.

When the Group acts as the lessee, lease costs are recognised in the consolidated income statement on a straight-line basis, in accordance with the policies described above.

4.7 Non-current assets held for sale

Non-current assets are classified as held for sale if it is considered that their carrying amount will be recovered through a sale transaction. Assets are classified under this heading only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The depreciation of non-current assets held for sale is discontinued when they are classified as such. At the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

4.8 Financial instruments

4.8.1 Financial assets

Financial assets are recognised in the consolidated balance sheet on the date of acquisition at fair value and are classified as:

Trade and other receivables

Trade and other receivables are measured at amortised cost less any recognised impairment losses, which are estimated based on the solvency of the debtor and the age of the receivables.

Other current and non-current financial assets

"Other Current and Non-Current Financial Assets" include the following investments:

1. Current and non-current loans granted

2. Guarantees

3. Deposits and other financial assets

4. Financial assets classified as "held for sale"

The loans granted are measured at their amortised cost, which is understood to be the initial value thereof increased by accrued interest and repayment premiums based on the effective interest rate and decreased by the principal and interest repayments, while also considering possible reductions due to impairment or uncollectibility.

The changes in the amortised cost of the assets included under "Other Current and Non-Current Financial Assets" arising from accrued interest or premiums or from the recognition of impairment are recognised in the income statement.

Guarantees and deposits are at the amount paid which does not differ substantially from the fair value thereof.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net consolidated profit or loss for the year.

Cash and cash equivalents

Cash consists of cash and demand deposits at banks. Cash equivalents are short-term investments with a maturity of up to three months that are not subject to a significant risk of changes in value.

The Group derecognises a financial asset when it matures and collection is made or when the rights to the future cash flows have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

4.8.2 Financial liabilities

Bank borrowings

Bank loans are recognised at the amount received, net of arrangement costs and commissions. These loan arrangement costs and finance charges are recognised in the income statement using the accrual method and on a time proportion basis and are added to the carrying amount of the liability, to the extent that they are not settled, in the period in which they arise.

Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.9 Inventories

The Group companies measure the tobacco inventories at the lower of the price of the most recent invoice, which does not differ significantly from applying the FIFO formula (first-in, first-out), including in the case of tobacco products, in accordance with the legislation applicable in each country, the excise duties chargeable as soon as they are accrued, and net realisable value.

The other inventories are measured at the lower of cost of purchase and net realisable value. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The Group recognises period provisions for the decline in value of inventories in order to adjust the value of those whose cost exceeds net realisable value. These valuation adjustments are recognised as an expense in the consolidated income statement.

4.10 Current/Non-current classification

In the consolidated balance sheet assets and liabilities due to be realised or settled or maturing within 12 months are classified as current items and those due to be realised or settled or maturing within more than 12 months as non-current items.

4.11 Termination benefits

Under current labour legislation and certain employment contracts, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

The accompanying consolidated balance sheet at 30 September 2017 includes the provisions that the Parent's Directors consider necessary to cover the restructuring plans in progress at year-end (see Note 18).

4.12 Pension and other obligations to employees

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions. In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalised. The annual contributions made by the Group to meet these obligations are recognised under "Staff Costs" in the consolidated income statements and amounted to EUR 2,086 thousand and EUR 2,227 thousand in 2017 and 2016 (see Note 23.b).

Under the collective agreements currently in force, Compañía de Distribución Integral Logista, S.A.U. is obliged to make a lump sum payment of a specific amount to each employee on completion of 24 years of service. Also, this Company is obliged to make fixed monthly payments to a certain group of current employees and employees who retired prior to 1 January 2009 as compensation for the "free tobacco" benefit.

Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 2% as the main assumptions (see Note 18).

On 4 June 2014 the Parent's Board of Directors approved the structure of the "2014 Long-Term Incentive Plan" and "2014 Long-Term Special Incentives Plan", with remuneration accrued from 1 October 2014 and maturing on 30 September 2019, which are articulated in three 3-year blocks with settlements made at the end of each block.

Under these plans, certain employees of companies of the Group of which the Company is Parent have the right to receive a certain number of Company shares, on completion of the third year from the commencement of the each of the three blocks into which the plans are divided, and taking into account the degree of achievement of certain internal criteria, of a financial and operating nature, as well as the total return for the shareholders and comparative profitability with other companies. For each of the aforementioned tranches, the estimated amount accrued annually is recorded in "Equity" in the consolidated balance sheet and its annual allocation is included in "Personnel Expenses" in the consolidated income statement .

On 29 January 2015 the Board of Directors approved the list of beneficiaries of the first block (2014-2017) and management estimated cost of the plans. There were 47 beneficiaries included in the General Plan and 10 in the Special Plan. The related amounted to EUR 2,856 thousand.

On 26 January 2016, the Board of Directors approved the second tranche of the 2014 Long-Term Incentive Plan (the General Plan and the Special Plan) for the 2015-2018 vesting period. The beneficiaries of the second tranche numbered 50 for the General Plan and 10 for the Special Plan. The total estimated cost of the second tranche is EUR 2,491 thousand.

On 24 January 2017, the Board of Directors approved the third tranche of the 2014 Long-Term Incentive Plan (the General Plan and the Special Plan) for the 2016-2019 vesting period. The beneficiaries of the third tranche numbered 56 for the General Plan and 9 for the Special Plan. The total estimated cost of the third tranche is EUR 2,623 thousand.

The annual charge for the cost of the three tranches included under "Staff Costs" in the consolidated statement of profit or loss for the period ended 30 September 2017 amounted to EUR 2,684 thousand (2016: EUR 1,772 thousand relating to the first and second tranche).

In order to cater for the two tranches of the equity-settled long-term incentive plan, and by virtue of the authorisation granted by the Board of Directors, the Group acquired 415,621 treasury shares for EUR 8,193 thousand (EUR 3,161 thousand in 2017, EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015) (see Note 14 f). In 2017, 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries.

On 20 December 2016 the Parent's Board of Directors approved the general and special 2017 long-term incentive plans for the 2017-2022 period, which will have a total term of five years and be divided into three three-year tranches, the first of which begins on 1 October 2017. The estimated total cost of the first tranche (2017-2020) is EUR 3,460 thousand. This plan has been approved by the General Shareholders' meeting on 21 March 2017. There are estimated to be 50 beneficiaries of the General Plan and 10 of the Special Plan.

Lastly, on 24 January 2017, the Company's Board of Directors extended the Company's Extended Share Repurchase Programme (for up to 585,671 shares, i.e. 0.44% of the share capital) until 1 October 2017, in order to assign the repurchased shares to the second tranche of the "2014 Long-Term Incentive Plan".

4.13 Provisions

The Group recognises provisions for the estimated amounts required to cover the liability arising from litigation in progress, indemnity payments or obligations and collateral and other guarantees provided which are highly likely to involve a payment obligation (legal or constructive), provided that the amount can be estimated reliably.

Provisions are quantified on the basis of the best information available on the situation and evolution of the events giving rise to them and are fully or partially reversed when such obligations cease to exist or are reduced, respectively.

Also, the adjustments arising from discounting these provisions are recognised as a finance cost on an accrual basis.

4.14 Foreign currency transactions

The consolidated financial statements of Logista Group are presented in euros.

Transactions in currencies other than the euro are recognised at their equivalent euro value by applying the exchange rates prevailing at the transaction date. Any gains or losses resulting from the exchange differences arising on the settlement of balances deriving from transactions in currencies other than the euro are recognised in the consolidated income statement as they arise.

Balances receivable and payable in currencies other than the euro at year-end are measured in euros at the exchange rates prevailing on that date. Any gains or losses arising on such measurement are recognised in the consolidated income statement for the year.

4.15 Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Specifically, revenue represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT, excise duty on tobacco products and other sales taxes.

As a result of the regulations of the main countries in which the Group operates, the Group makes payments to the relevant tax authorities in respect of excise duties on the tobacco products it sells, which are also charged to customers. The Group does not recognise as income or expenses the amounts relating to the aforementioned excise duties, which amounted to approximately EUR 29,349,967 thousand in 2017 and EUR 27,463,847 thousand in 2016.

In the particular case of the publishing sector, the customers are entitled to return the products they fail to sell and in turn, the Group may exercise this right with respect to its suppliers. At each reporting date, a provision is recognised based on the historical experience of the sales returns for the purpose of adjusting the margins obtained in relation to products that it is forecast will ultimately be returned (see Note 18).

In purchase and sale transactions on which the Group receives commission, regardless of the legal form of such transactions, only commission income is recognised. Distribution and sales commissions are recognised in revenue. The Group recognises income and expenses on transactions involving products held on a commission basis (mainly stamps, certain tobacco and publishing business products) at the date of the sale.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the consolidated income statement.

4.16 Income tax

The current income tax expense is calculated on the basis of the accounting profit before tax, increased or reduced, as appropriate, by the permanent differences from taxable profit, net of tax relief and tax credits. The rates used to calculate the income tax expense are those in force at the consolidated balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet method, recognising the differences between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax assets and liabilities are calculated at the tax rates expected at the date on which the asset is realised or the liability is settled. Deferred tax assets and liabilities are recognised in full with a charge to the consolidated income statement, except when they relate to line items taken directly to equity accounts, in which case the deferred tax assets and liabilities are also recognised with a charge or credit to the related equity accounts.

Deferred tax assets and tax loss carryforwards are recognised when it is considered probable that the Group will be able to utilise them in the future, regardless of when they are recovered. Deferred tax assets and liabilities are not adjusted and are classified as non-current assets or liabilities in the consolidated balance sheet.

The Group recognises the deferred tax arising from the deductibility of the amortisation, for tax purposes, of certain items of goodwill generated on the acquisition of companies (see Note 19).

The deferred tax asset recognised is reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax asset is reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

"Income Tax" represents the sum of the current tax expense and the result of recognising deferred tax assets and liabilities (see Note 19).

On 7 September 2017, Altadis, S.A.U. sold 13,275,000 shares representing 10% of the Parent's share capital, maintaining a 60% ownership interest in the Parent's share capital (see Note 13), which resulted in the discontinuation of the consolidated income tax group of which the Parent formed part, the ultimate head of which was Imperial Tobacco España, S.L.U..

On 18 September 2017, the Parent notified the tax authorities of its intention to file consolidated tax returns and be parent of the tax group, effective for the year initiated 1 October 2016. This communication has been accepted by the tax authorities, assigning as fiscal group number 548/17.

4.17 Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows, prepared in accordance with the indirect method, with the meanings specified:

1. Cash flows: inflow and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in equity and borrowings.

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares.

Earnings per share are calculated as follows:

	Thousands of Euros	
	2017	**2016**
Net profit for the year (thousands of euros)	153,862	132,079
Weighted average number of shares issued (thousands of shares) (*)	132,364	132,551
Earnings per share	1.16	1.00

(*) On 30 September 2017, the Company holds 391,432 own shares.

At 30 September 2017 and 2016, there were no dilutive effects on basic earnings per share.

6. Property, plant and equipment

6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2017 and 2016 were as follows:

2017

	Thousands of Euros					
	Balance at 30-09-16	**Changes perimeter (Note 2.7.5)**	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfers (Note 8)**	**Balance at 30-09-17**
Cost:						
Land and buildings	221,919	45	440	(151)	452	222,705
Plant and machinery	183,710	2,743	4,099	(3,299)	4,073	191,326
Other fixtures, tools and furniture	144,528	49	3,861	(2,905)	3,774	149,307
Other items of property, plant and equipment	36,211	224	56	(221)	997	37,267
Property, plant and equipment in the course of construction	9,511	-	13,157	-	(9,279)	13,389
	595,879	**3,061**	**21,613**	**(6,576)**	**17**	**613,994**
Accumulated depreciation:						
Buildings	(106,247)	(4)	(4,812)	144	(161)	(111,080)
Plant and machinery	(139,784)	(1,802)	(9,913)	2,790	425	(148,284)
Other fixtures, tools and furniture	(118,259)	(43)	(6,892)	2,791	67	(122,336)
Other items of property, plant and equipment	(23,011)	(155)	(2,262)	198	(369)	(25,599)
	(387,301)	(2,004)	(23,879)	5,923	(38)	(407,299)
Impairment losses	(18,737)	-	(338)	-	-	(19,075)
	189,841	**1,057**	**(2,604)**	**(653)**	**(21)**	**187,620**

2016

	Thousands of Euros				
	Balance at 30-09-15	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfers (Note 8)**	**Balance at 30-09-16**
Cost:					
Land and buildings	232,240	4	(1,991)	(8,334)	221,919
Plant and machinery	178,402	3,034	(7,863)	10,137	183,710
Other fixtures, tools and furniture	138,495	3,258	(2,587)	5,362	144,528
Other items of property, plant and equipment	38,533	56	(194)	(2,184)	36,211
Property, plant and equipment in the course of construction	11,836	9,466	(1)	(11,790)	9,511
	599,506	**15,818**	**(12,636)**	**(6,809)**	**595,879**
Accumulated depreciation:					
Buildings	(108,959)	(5,028)	1,355	6,385	(106,247)
Plant and machinery	(135,391)	(10,864)	7,590	(1,119)	(139,784)
Other fixtures, tools and furniture	(110,696)	(8,219)	2,517	(1,861)	(118,259)
Other items of property, plant and equipment	(23,337)	(2,461)	158	2,629	(23,011)
	(378,383)	(26,572)	11,620	6,034	(387,301)
Impairment losses	(18,882)	-	145	-	(18,737)
	202,241	**(10,754)**	**(871)**	**(775)**	**189,841**

Additions

The most notable additions in 2017 and 2016 related mainly to projects currently underway in relation to safety systems at the warehouses and the development of information systems.

Disposals

In 2016 the Group sold the property located in Villaviciosa de Odón (Spain) housing the offices of Compañía de Distribución Integral de Publicaciones Logista, S.L. (Sole-Shareholder Company). The transaction amounted to EUR 1.4 million and gave rise to a net gain of EUR 0.8 million, and the latter amount was recognised under "Net gain on disposal and impairment of non-current assets" in the accompanying consolidated statement of profit or loss for 2016.

Transfers

In 2017 items of plant, machinery and other fixtures were transferred within this line item from "Property, Plant and Equipment in the Course of Construction". Additionally, point of sale terminals have been transferred from "Inventories", as they have been leased.

In 2016 the property in Portonaccio (Rome) with a carrying amount of EUR 6 million at 30 September 2016 was transferred from this line item to "Investment Property". Also, the Group transferred to this line item the property located in Auby (France), which had previously been recognised under "Non-Current Assets Classified as Held for Sale".

Lastly, transfers have been made from "Other Intangible Assets-Advances and intangible assets in progress" during the fiscal year when information system-related projects have been completed and come into service.

Depreciation

In 2017, the investment properties included in the accompanying consolidated balance sheet totaled EUR 425 thousand. In addition, the "Research expenses" caption in the consolidated income statement includes EUR 96 thousand of amortization of items assigned to it.

Impairment

No significant impairment losses recognised during 2017 or 2016.

6.2. Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2017 amounted to EUR 285,077 thousand (EUR 259,864 thousand at 30 September 2016).

At the end of 2017 the Group had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. Compañía de Distribución Integral Logista, S.A.U. directors have commenced actions aimed at ensuring that the municipal authority meets the obligations assumed.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 30 September 2017 and 2016, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to a cost, net of depreciation, of EUR 65,851 thousand and EUR 67,715 thousand, respectively.

7. Goodwill

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	30-09-17	**30-09-16**
Italy, tobacco and related products	662,922	662,922
France, tobacco and related products	237,106	237,106
Iberia, transport	18,269	18,269
Iberia, other business: Pharma	486	486
Iberia, tobacco and related products	6,896	321
	925,679	**919,104**

Italy, tobacco and related products

The goodwill associated with Logista Italia, S.p.A. arose when Etinera, S.p.A., a leading tobacco distributor in Italy, was acquired in 2004 from BAT Italia, S.p.A., an Italian subsidiary of British American Tobacco, Lda. Subsequently, Etinera, S.p.A.'s company name was changed to Logista Italia, S.p.A. The information relating to the aforementioned acquisition is included in the Group's consolidated financial statements for 2004.

France, tobacco and related products

The goodwill associated with Logista France, S.A.S. arose on the acquisition by Compañía de Distribución Integral Logista, S.A.U. of all the shares representing the share capital of Altadis Distribution France, S.A.S. (actually Logista France, S.A.S.) from Seita, S.A.S., which belongs to the group Imperial Brands Limited PLC. The information on this acquisition is included in the Group's consolidated financial statements for 2014 and 2013.

Iberia, transport

The goodwill associated with Dronas 2002, S.L.U. arose when this company merged in 2002 with the Burgal Group, an integrated and express parcel and pharmaceutical logistics service provider, and in 2003 with the Alameda Group, a distributor of pharmaceutical supplies and food products. The information relating to the aforementioned mergers is included in the Group's consolidated financial statements for 2002 and 2003.

Spain and Portugal, tobacco and related products

The goodwill related to José Costa & Rodrigues arose from the acquisition by MIDSID-Sociedade Portuguesa de Distribuiçao, S.A., on 13 February 2017, of all the shares representing the share capital of the former for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Having analysed the fair value of the assets and liabilities acquired, Group management allocated EUR 6,575 thousand to goodwill (see Note 2.7.5).

Goodwill impairment analysis

The assumptions used in testing for impairment were as follows:

Discount and growth rates

	2017		2016	
	Discount Rate	**Growth Rate**	**Discount Rate**	**Growth Rate**
Italy, tobacco and related products	6.70%	0.00%	6.70%	0.00%
France, tobacco and related products	5.60%	0.00%	5.90%	0.00%
Iberia, transport	6.71%	0.00%	6.50%	0.00%
Iberia, other business: Pharma	5.80%	0.00%	6.00%	0.00%
Iberia, tobacco and related products	6.40%	0.00%	6.80%	0.00%

The parameters considered in defining the foregoing discount rates were as follows:

• Risk-free bonds: 10-year bonds in the benchmark market of the CGU.

• Market risk premium: year-on-year average risk Premium in each country in which the Group is present.

• Unleveraged Beta: industry average, on a case-by-case basis.

• Debt/equity ratio: industry average.

Other salient matters

a. Italy, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

b. France, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

c. Iberia, transport:

- Fuel costs.
- Investments.

d. Iberia, other business: Pharma

- Regulation of the pharmaceutical industry.
- Investments.

e. Iberia, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

Based on the methods used and the estimates, projections and valuations available to the Parent's directors, no impairment losses were recognised in relation to these assets in 2017 ands 2016.

With regard to the sensitivity analysis of the impairment tests on goodwill, the Group performed an analysis of sensitivity of the impairment test result to to changes increasing 100 b.p. the discount rate:

These sensitivity analyses performed separately for each of the aforementioned assumptions did not disclose any impairment losses.

8. Other intangible assets

The changes in "Other Intangible Assets" in 2017 and 2016 were as follows:

2017

	Thousands of Euros				
	Balance at 30-09-16	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfer (Note 6)**	**Balance at 30-09-17**
Cost:					
R+D expenses	2,223	-	-	-	2,223
Computer software	176,494	650	(122)	10,659	187,681
Concessions, rights and licences	779,745	-	-	(1,877)	777,868
Advances and intangible assets in progress	5,070	6,693	-	(8,097)	3,666
	963,532	7,343	(122)	685	971,438
Accumulated amortisation:					
R+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(146,938)	(10,775)	120	(1,061)	(158,654)
Concessions, rights and licences	(209,416)	(51,768)	-	1,061	(260,123)
	(358,546)	(62,543)	120	-	(420,969)
Impairment losses	(2,623)	-	-	-	(2,623)
	602,363	**(55,200)**	**(2)**	**685**	**547,846**

2016

	Thousands of Euros				
	Balance at 30-09-15	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfer (Note 6)**	**Balance at 30-09-16**
Cost:					
R+D expenses	2,223	-	-	-	2,223
Computer software	168,123	537	(4,921)	12,755	176,494
Concessions, rights and licences	779,726	-	-	19	779,745
Advances and intangible assets in progress	13,344	8,540	-	(16,814)	5,070
	963,416	9,077	(4,921)	(4,040)	963,532
Accumulated amortisation:					
R+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(140,447)	(11,363)	4,921	(49)	(146,938)
Concessions, rights and licences	(157,449)	(51,967)	-	-	(209,416)
	(300,088)	(63,330)	4,921	(49)	(358,546)
Impairment losses	(2,623)	-	-	-	(2,623)
	660,705	**(54,253)**	**-**	**(4,089)**	**602,363**

Additions

The additions to "Advances and intangible assets in progress" in 2017 and 2016 relate mainly to functional development projects for the Logista Group's existing applications to improve or increase the services provided to its customers and the implementation of new management systems (SAP) in certain business segments.

Transfers

The transfers to "Computer Software" in 2017 and 2016 relate to the reclassification of various items that have been put into operation from the account "Advances and intangible assets in progress" attending to their nature.

Impairment

In 2017 and 2016 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

At 30 September 2017 and 2016, fully amortised intangible assets in use amounted to approximately EUR 135,333 and EUR 124,477 thousand, respectively.

9. Financial assets

The detail of these items in the accompanying consolidated balance sheets at 30 September 2017 and 2016 is as follows:

2017

	Thousands of Euros				
Financial Assets: Nature/Category	**Loans Granted to Third Parties**	**Loans Granted to Related Companies (Note 26)**	**Deposits and Guarantees**	**Available-for-Sale Financial Assets**	**Total**
Non-current:					
Equity instruments	-	-	-	677	677
Financial debts	194	-	-	-	194
Other financial assets	-	-	3,650	-	3,650
	194	-	3,650	677	4,521
Current:					
Financial debts	30,479	1,790,850	-	-	1,821,329
Other financial assets	-	-	397	-	397
	30,479	1,790,850	397	-	1,821,726
	30,673	**1,790,850**	**4,047**	**677**	**1,826,247**

2016

	Thousands of Euros				
Financial Assets: Nature/Category	**Loans Granted to Third Parties**	**Loans Granted to Related Companies (Note 26)**	**Deposits and Guarantees**	**Available-for-Sale Financial Assets**	**Total**
Non-current:					
Equity instruments	-	-	-	23,331	23,331
Financial debts	266	-	-	-	266
Other financial assets	-	-	3,585	-	3,585
	266	-	3,585	23,331	27,182
Current:					
Financial debts	30,934	2,007,506	-	-	2,038,440
Other financial assets	-	-	661	-	661
	30,934	2,007,506	661	-	2,039,101
	31,200	**2,007,506**	**4,246**	**23,331**	**2,066,283**

Loans granted to third parties

The venturers of "UTE Cía de distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U." (before "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas") granted a loan to this joint venture divided into equal shares which at 30 September 2017 totalled EUR 121,266 thousand. Compañía de Distribución Integral Logista, S.A.U. recognised EUR 30,317 thousand (2016: EUR 30,629 thousand) in this connection, which are presented under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet at 30 September 2016, for the receivables from and payables to the aforementioned joint venture that correspond to the other venturer (see Note 20).

Credits granted to related parties

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,600 million. The purpose of this agreement is to govern the terms and conditions under which Logista will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited for the purpose of optimising its cash flow, and the loans from Imperial Brands Enterprise Finance Limited to Compañía de Distribución Integral Logista, S.A.U. in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Compañía de Distribución Integral Logista, S.A.U. will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

The interest accrued on this credit line at 30 September 2017 amounted to EUR 12,629 thousand (30 September 2016: EUR 12,392 thousand) (see Note 26).

The daily balance of this internal current account has an equivalent cost to the interest at the European Central Bank interest rate, plus a spread of 2.2% for the credit provisions, and earn at the same reference rate, plus a spread of 0,75% for the surplus loans. Interest is calculated on a daily basis, based on 360 days, and is capitalised every quarter.

Under this agreement the Parent has undertaken to refrain from obtaining financing from third parties and from encumbering in any way its assets unless the aforementioned transaction is approved by a qualified majority of the Board of Directors.

Available-for-sale financial assets

On 19 December 2016, the subsidiary Logista Italia, S.p.A. sold its 13.33% stake in Banca ITB, S.p.A. to Intesa Sanpaolo, S.p.A. for EUR 22,667 thousand, which gave rise to a gain of EUR 18,119 thousand (net of EUR 244 thousand sale-related expenses), which was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss.

10. Inventories

The detail of the Group's inventories at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Tobacco	1,015,952	993,352
Published materials	15,385	12,634
Other merchandise	98,606	86,629
Write-downs	(7,321)	(6,786)
	1,122,622	**1,085,829**

The balance of tobacco inventories includes the excise duty chargeable to the tobacco items for the tobacco stock in the Group's warehouses at 30 September 2017, for a total amount of EUR 393,831 thousand (2016: EUR 394,452 thousand).

The write-down in year 2017 and 2016 relates mainly to tobacco inventories that were defective or that cannot be sold at year end. The changes in the write-downs relating to "Inventories" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
Accumulated write-down at 30 September 2015	9,585
Period write-downs	8,708
Reversals	(11,507)
Accumulated write-down at 30 September 2016	6,786
Period write-downs	6,141
Reversals	(5,606)
Accumulated write-down at 30 September 2017	**7,321**

At 30 September 2017 and 2016, the Group had arranged insurance policies to cover the value of its inventories.

11. Trade and other receivables

The detail of "Trade and Other Receivables" in the accompanying consolidated balance sheets at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Trade receivables for sales and services	1,655,877	1,781,826
Related companies (Note 26)	26,684	7,906
Sundry accounts receivable	116,683	41,882
Employee receivables	285	709
Allowances for doubtful debts	(52,191)	(55,161)
	1,747,338	**1,777,162**

The changes in the "Allowances for Doubtful Debts" in 2017 and 2016 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2015	60,409
Period write-downs	3,727
Reversals	(6,013)
Amounts used	(1,232)
Changes in the Scope of Consolidation	(1,730)
Allowance for doubtful debts at 30 September 2016	55,161
Period write-downs	2,619
Reversals	(4,201)
Changes in the Scope of Consolidation	(1,388)
Allowance for doubtful debts at 30 September 2017	**52,191**

The additions to and reversals from the allowance for doubtful debts in 2017 and 2016 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2017 and 2016, the total amounts of balances provisioned are older than 90 days.

Trade receivables for sales and services

"Trade Receivables for Sales and Services" includes mainly the balances receivable from the sales of tobacco products, postage and other stamps relating basically to the final delivery of each year, which may be settled during the first days of the following year, including the excise duties and VAT associated with tobacco product sales which do not form part of revenue (see Note 4.15).

The average credit period taken on sales of goods and services ranges from 10 to 30 days since invoicing date. No interest is charged on the receivables for the first 30 days after the expiry date of the invoice. Thereafter, interest is generally charged at between 6.5% and 9% on the outstanding balance.

None of the clients supposes more than 5% of the trade receivable balances, so there is no clients' concentration risk.

The detail of the past-due receivables for which no allowance had been recognised at 30 September 2017 and 2016 is as follows:

Tranche	Thousands of Euros	
	2017	**2016**
0-30 days	35,977	30,176
30-90 days	9,525	10,433
90-180 days	6,146	4,666
180-360 days	1,194	1,214
More than 360 days	753	729

The Group recognizes an allowance for doubtful debts based on seniority of the debt, unless there are additional guarantees of payment.

12. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2017 and 2016 includes mainly the Group's cash deposited in current accounts at banks.

The average interest rate obtained by the Group on its cash and cash equivalent balances was 0.74% in 2017 and 2016.

13. Equity

At the end of 2017 and 2016 the Parent's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.2 par value each, all of the same class.

As indicated in Note 1, the Parent was incorporated on 13 May 2014, with a share capital of EUR 60 thousand, divided into 300,000 shares of EUR 0.20 par value each, all of which are of the same class and fully subscribed and paid in cash by its sole shareholder, Altadis, S.A.U..

On 4 June 2014, the sole shareholder approved the share capital increase through a non-monetary contribution of EUR 26,490 thousand, through the issue of 132,450,000 new shares of EUR 0.20 par value each, together with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares and were fully subscribed and paid by Altadis, S.A.U. through the contribution to the Company of 44,250,000 registered shares representing all of the share capital of Compañía de Distribución Integral Logista, S.A.U (Logista Group Parent Company until that moment). For these purposes, it should be noted that the aforementioned non-monetary contribution was subject to the required assessment by an independent expert appointed by the Mercantile Registry, pursuant to the Spanish Capital Companies Law consolidated text and the Mercantile Registry Regulations.

The offering of shares in the Parent Company came to an end on 14 July 2014, and its shares are currently listed for trading in the Continuous Market on Madrid, Barcelona, Valencia and Bilbao Exchanges.

On 7 September 2017, Altadis, S.A.U. sold 13,275,000 shares, representing 10% of the Parent's share capital.

The only shareholder with an ownership interest of 10% or more in the Parent's share capital at 30 September 2017 is Altadis, S.A.U., with an ownership interest of 60% (70% as of 30 September 2016).

At 30 September 2017, all shares of the Parent have the same voting and dividend rights.

Capital Management

The main objectives of the Group's capital management are to ensure financial stability in the short and long term and the adequate funding of investments, keeping debt levels, all aimed at that the Group maintains its financial strength and soundness of their ratios so that it supports their business and maximizes the value for its shareholders.

At 30 September 2017, the Group had a net cash position amounting to EUR 1,889 million (30 September 2016: EUR 2,029 million), the detail being as follows:

	Thousands of Euros	
	2017	**2016**
Other current financial liabilities	(34,371)	(33,627)
Gross debt	(34,371)	(33,627)
Current financial assets (Note 9)	1,821,726	2,039,101
Cash and cash equivalents	101,808	23,625
Financial assets and cash	1,923,534	2,062,726
Total net financial position	**1,889,163**	**2,029,099**

14. Reserves

a. Share premium

The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

b. Reserves of the Parent

Legal reserve

Under the Spanish Capital Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

On 30 September 2017 the Parent's legal reserve has reached the legally required minimum.

Other reserves

The capital increase expenses incurred by the Company in 2014 in the transaction described under "Share capital", which were taken to reserves, amount to EUR 176 thousand, net of the related tax effect. This heading also includes the amounts relating to the Share Plan blocks, amounting EUR 2,207 thousand in 2017 (2016: EUR 1,772 thousand) (see Note 4.12).

c. Reorganisation reserve

This line item includes the net effect which arose in the Parent's reserves as a result of the corporate reorganisation that took place during the year 2014, as described in Note 1, in conformity with the regulatory financial reporting framework applicable to the Group.

d. Reserve for first-time application of IFRSs

As a result of the transition to International Financial Reporting Standards (IFRSs), the Group revalued a plot of land assigned to its operations by EUR 28,500 thousand, based on the appraisal of an independent valuer, considering the fair value of this plot of land to be the deemed cost thereof in the transition to IFRs. The impact of this revaluation on reserves amounted to EUR 19,950 thousand.

e. Dividends

On 21 March 2017, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2016, which included an interim dividend out of the profit for that year, which had previously been approved by the Board of Directors and paid, amounting to EUR 33,119 thousand, together with a final dividend of EUR 86,017 thousand.

On 27 July 2017, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.30 per share out of the profit for 2017, totalling EUR 39,708 thousand, which was paid on 30 August 2017 (see Note 3).

f. Treasury shares

To cater of the long-term share-based incentive scheme and pursuant to the authorisation granted by the Board of Directors, the Group acquired 415,621 treasury shares for EUR 8,193 thousand (EUR 3,161 thousand in 2017, EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015).

In addition, 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries in 2017, and the total net amount recognised at 30 September 2017 was EUR 7,716 thousand.

15. Reserves at consolidated companies

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Reserves in fully consolidated companies	216,999	224,948
Reserves in companies consolidated by the equity method	(625)	(1,034)
	216,374	**223,914**

The reserves at consolidated companies include the retained earnings not appropriated at the beginning of the period relating to the consolidated companies and taking into account the consolidation adjustments.

16. Minority interests

The detail, by company, of "Minority interests" and "Profit/loss attributed to minority interests" is as follows:

	Thousands of Euros			
	2017		**2016**	
Entity	**Minority Interests**	**Income Atributable To Minority Shareholders**	**Minority Interests**	**Income Atributable To Minority Shareholders**
Distribuidora Valenciana de Ediciones, S.A.	346	(14)	360	(46)
Terzia, S,p,A.	1,125	(265)	1,390	348
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	54	10	49	6
Distribuidora de Publicaciones del Sur, S.L.	182	8	174	21
Other entities	159	-	159	-
	1,866	**(261)**	**2,132**	**329**

17. Financial Risk Exposure

The management of the financial risks to which the Logista Group is exposed in the course of its business constitutes one of the basic pillars of its activities aimed at preserving the value of the Group's assets at all the business units and in all the countries in which it operates (mainly Spain, Italy, France, Portugal and Poland) and, as a result, the value of its shareholder's investments. The risk management system is structured and defined to achieve the strategic and operating objectives.

The Group's activities are exposed to various financial risks: market risk (including exchange risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's financial risk management is centralised in the Corporate Finance Directorate. This Directorate has the required mechanisms in place to control, based on the Group's financial position and structure and on the economic variables of the environment, the exposure to interest and exchange rate fluctuations and to the credit and liquidity risks, establishing, when necessary, the related credit limits and setting the policy for the doubtful debts allowance.

Credit risk

The Company's main financial assets are cash, loans to Group companies and trade and other receivables. In general, the Group holds its cash and cash equivalents at banks with high credit ratings. Also, the Group is exposed to the credit risk or counter-party risk of the group Imperial Brands Group, PLC, as a result of the cash transfer agreements entered into therewith.

The Group controls the risks of doubtful debts and default by setting credit limits and establishing demanding conditions with respect to collection periods; this commercial risk is distributed among a large number of customers with short collection periods and historically very low rates of non-payment and, therefore, the exposure to credit risk vis-á-vis non-Group third parties is not significant.

The Group considers that at 30 September 2017 the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

In relation to its cash and cash equivalents and bank borrowings, the Group is exposed to interest rate fluctuations which might affect its profit and cash flows.

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates, Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 1.75 million.

Foreign currency risk

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 25).

The Group does not have significant investments in foreign entities which operate in currencies other than the euro and it does not carry out significant transactions in countries whose currency is not the euro.

Liquidity risk

The Group has to meet payments arising from its activities, including significant amounts relating to excise duties and VAT.

Also, at 30 September 2017, the Group had a working capital deficiency amounting to EUR 862,601 thousand (30 September 2016: EUR 922,945 thousand). However, as a result of the difference between the average collection and payment, the Group generates sufficient liquidity to meet these payments.

In any event, the Group, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its consolidated balance sheet, together with the cash-pooling facilities with companies in the Group to which it belongs (see Note 9).

18. Provisions

The detail of the balance of short- and long-term provisions in the accompanying consolidated balance sheets at 30 September 2017 and 2016 and of the main changes therein in the periods is as follows:

2017

	Thousands of Euros						
	Balance at 30-09-16	**Additions to the perimeter**	**Additions**	**Reversions**	**Provisions Used**	**Transfers**	**Balance at 30-09-17**
Non-current provisions:							
Customs and excise duty assessments	7,411	-	1,365	(600)	-	-	8,176
Obligations to employees	16,428	-	8,252	(3,530)	(781)	-	20,369
Provision for restructuring costs	8	-	-	-	-	-	8
Provision for contingencies and charges	4,481	-	1,199	(13)	-	-	5,667
Other	4,502	-	-	(418)	(1,618)	-	2,466
	32,830	**-**	**10,816**	**(4,561)**	**(2,399)**	**-**	**36,686**
Current provisions:							
Provision for restructuring costs	7,725	-	4,660	(808)	(6,518)	1,190	6,249
Customer Refunds	2,791	-	301	(1,087)	-	-	2,005
Other	6,622	76	1,283	(1,266)	(1,299)	58	5,474
	17,138	**76**	**6,244**	**(3,161)**	**(7,817)**	**1,248**	**13,728**

2016

	Thousands of Euros					
	Balance at 30-09-15	**Additions**	**Reversions**	**Provisions Used**	**Transfers**	**Balance at 30-09-16**
Non-current provisions:						
Customs and excise duty assessments	15,491	360	-	(8,440)	-	7,411
Obligations to employees	15,601	2,137	(65)	(673)	(572)	16,428
Provision for restructuring costs	1,900	758	-	-	(2,650)	8
Provision for contingencies and charges	5,380	1	(11)	-	(889)	4,481
Other	4,639	1,229	(328)	(1,349)	311	4,502
	43,011	**4,485**	**(404)**	**(10,462)**	**(3,800)**	**32,830**
Current provisions:						
Provision for restructuring costs	10,278	3,409	(1,438)	(6,855)	2,331	7,725
Customer Refunds	2,650	141	-	-	-	2,791
Other	3,867	3,493	(724)	(1,783)	1,769	6,622
	16,795	**7,043**	**(2,162)**	**(8,638)**	**4,100**	**17,138**

Provision for excise tax on tobacco products and for customs duty assessments

Compañía de Distribución Integral Logista, S.A.U. has recognised provisions for assessments as a result of audits by the Spanish customs authorities of the returns for excise tax on tobacco products for 2007 to 2009. The Company signed the assessments on a contested basis and filed appeals against them, however, it has recognised provisions for the possible deficiency and interest in this connection in order to cater for the possibility of unfavourable decisions being handed down on the appeals.

In 2016 the Company made payments totalling EUR 8,440 thousand in relation to the assessments signed on a contested basis for excise taxes for 2007 and 2008, using the provision recognised in this connection in prior years. Although the Company has appealed against these tax assessments, it made the related payments in order to avoid incurring interest in this connection. Also, in 2016 a tax assessment was issued in relation to foreign trade activity tax settlements for 2014 amounting to EUR 150 thousand.

In previous years, the Company received proceedings relating to settlement of customs duty for the year 2012 and 2013 amounting to EUR 3,188 and 9,400 thousand, respectively. The Group, based on the opinion of its external advisors has not accrued it, no provisions were recognised in relation to the former and payment of the latter was recognised as an asset in the accompanying balance sheet at 30 September 2017, since it was considered that the appeals filed would be successful.

Provisions for employee benefit obligations

This line item includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in relation to long-service bonuses and the "tobacco gift", as well as the retirement bonus obligations recorded by the subsidiaries of the Group in order to cover the retirement benefits. Of the provision recognised in 2017 which amounts to EUR 8,252 thousand; EUR 1,551 thousand were recorded with a charge to "Reserves of Consolidated Companies", since they relate to the impact in the actuarial assumptions used to calculate the present value of the total obligation assumed by those companies (EUR 1,329 thousand in 2016).

Additionally, a provision of EUR 6,860 thousand was recognised as a result of a decision handed down by the Employment Tribunal of the National Appellate Court, which ordered that Compañía de Distribución Integral Logista, S.A.U. recognise the right of those employees formerly employed by Altadis, S.A.U. who had retired after 2005 to receive, once they had retired, the equivalent monetary value of the gift tobacco they would currently receive as active personnel. The Company has appealed against this decision at the Supreme Court. Such provision has been calculated according to actuarial studies by independent experts, using the PERM/F 2000P mortality tables and an annual discount rate of 2% as the main assumptions.

Provision for restructuring costs

This account includes mainly the estimate of the payments to be made in relation to the restructuring plans that are being implemented at the Group. In 2017 and 2016, provisions were recognised amounting to EUR 4,660 thousand and EUR 4,167 thousand, respectively, and indemnity payments were made amounting to EUR 6,518 thousand and EUR 6,855 thousand, respectively, with a charge to the provisions that were recognised for that purpose.

These provisions were reclassified to current liabilities on the basis of the directors' estimates as to the dates on which these proceedings will come to an end.

Provisions for customer refunds

The customers of publishing sector are entitled to the refund of those products which are finally not sold, and the Group may in turn exercise this entitlement to a refund vis-à-vis its suppliers. At each year-end, the Group recognises a provision based on past experience of the refunds on sales with a view to correcting the margins obtained in the course of the book and publications sales activity.

Provisions for contingencies and charges

"Provision for Contingencies and Charges" includes mainly several lawsuits in process in which the Group is involved with third parties, as well as other third-party liability.

19. Tax matters

Consolidated Tax Group

The sale by Altadis, S.A.U. of 10% of the Parent's share capital in 2017 resulted in the discontinuation of the consolidated tax group with Imperial Tobacco España, S.L.U., since the ownership interest held by it in the Parent fell to 60% of the share capital (see Note 13). A request was submitted to the tax authorities to transfer the status of parent of the consolidated tax group to Compañía de Distribución Integral Logista Holdings, S.A.. In 2017 several of the Group companies filed consolidated tax returns with the Parent (see Note 4.16). The companies that file consolidated tax returns together with the Parent, for income tax purposes, are: Compañía de Distribución Integral Logista, S.A.U., Distribérica, S.A.U., Publicaciones y Libros, S.A., Distribuidora de las Rías, S.A., Logista-Dis, S.A.U., La Mancha 2000, S.A.U., Dronas, 2002, S.L.U., T2 Gran Canaria, S.A.U., Distribuidora de Publicaciones Siglo XXI Guadalajara, S.L.U., Logista Pharma, S.A.U., Cyberpoint, S.L.U., Distribuidora del Noroeste, S.L., Compañía de Distribución Integral de Publicaciones Logista, S.L.U., Distribuidora del Este, S.A.U., S.A. Distribuidora de Ediciones, Logesta Gestión de Transporte, S.A.U., and Be to Be Pharma, S.L.U..

In addition, Logista France, S.A.S., Société Allumetiére Française, S.A.S. and Supergroup, S.A.S. file consolidated income tax returns in France as part of the group headed by Logista France, S.A.S..

Logista Italia, S.p.A., Terzia, S.p.A. and Logesta Italia, S.r.l. file consolidated income tax returns in Italy as part of the group headed by Logista Italia, S.p.A..

Additionally, Compañía de Distribución Integral Logista, S.A. - Sucursal em Portugal, Midsid – Sociedade portuguesa de Distribuiçao, S.A. and Logista Transportes, Transitarios e Pharma, Lda, are taxed under a tax consolidation regime for Corporate Income Tax purposes in Portugal, being the head of said group Compañía de Distribución Integral Logista, S.A.-Sucursal in Portugal.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

Years open for review by the tax authorities

Compañía de Distribución Integral Logista, S.A.U. has open for review by the tax authorities 2014, 2015, and 2016 for excise taxes, the exercises 2015, 2016 and 2017 for custom tax and the last four years for all the other taxes applicable to the consolidated tax Group.

In general, the other consolidated companies have the last four years open for review by the tax authorities for the main taxes applicable to them, pursuant to the specific legislation of each country.

The Company's Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

Tax receivables and payables

The detail of the tax receivables at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Deferred tax assets:		
Provision for restructuring costs	1,182	2,116
Goodwill	1,875	2,223
Impairment losses and other	881	3,723
Provision for third-party liability	11,853	10,022
Other deferred tax assets	4,153	4,315
	19,944	**22,399**
Tax receivables (current):		
VAT refundable	4,558	6,497
Income tax refundable	30,730	902
Other	1,471	197
	36,759	**7,596**

The deferred tax assets relate mainly to provisions recognised for restructuring plans, termination benefits and obligations to employees that will become tax deductible in the coming years. Also, Law 16/2012, of 27 December, established for 2013 and 2014 a ceiling on the deductibility of the charge for property, plant and equipment and intangible assets. Specifically, it was possible to deduct up to 70% of the depreciation and amortisation charge, and the portion of the charge that was not deductible started to be deducted since the current fiscal year on a straight-line basis at a rate of one-tenth per year.

The detail of the tax payables at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Deferred tax liabilities:		
Assets contributed by Logista	589	616
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	88,763	82,251
Business Combination	184,607	214,486
Other	17,884	24,239
	298,968	**328,717**
Tax payables (current):		
Excise duty on tobacco products	3,567,440	3,771,386
VAT payable	851,835	925,012
Customs duty settlements	4,212	4,592
Income tax, net of prepayments	2,346	28,896
Personal income tax withholdings	4,216	3,693
Social security taxes payable	16,828	15,204
Tax retention to tobacconists (France)	28,735	31,353
Other	88,792	4,841
	4,564,404	**4,784,977**

Short-term balances include mainly the “Excise Duty on Tobacco Products” accrued by Compañía de Distribución Integral Logista, S.A.U., Logistra France, S.A.S. and by Logista Italia, S.p.A. and pending payment to the tax authorities.

The deferred tax liabilities arising from business combinations relate mainly to the tax effect of the recognition of the agreements with the tobacco manufacturers of the subsidiary Logista France, S.A.S., within the context of the acquisition of this subsidiary in 2013 (see Notes 4.4 and 8).

At September 30, 2017 the “Other items” caption includes an account payable with the French tax authorities for an amount of EUR 87 million, which in turn has been re-invoiced to tobacco manufacturers, since they are the final taxable subjects.

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U. decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its foreign subsidiaries, mainly the originated as a result of the purchase of Logista Italia, S.p.A.. These reductions are considered to be temporary differences. On 30 March 2012, Royal Decree-Law 12/2012 came into force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year. The maximum tax credit from this fiscal year is again a maximum of 5% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Accounting profit before tax	187,958	187,764
Permanent differences	(22,660)	(2,423)
Tax charge at 25%-28%	41,325	51,895
Effect of different tax rates and changes thereto	(2,118)	10,873
Corporation tax adjustments	(7,300)	(8,940)
CVAE France	2,863	2,650
Reductions	(455)	(1,243)
Total income tax expense recognised in consolidated profit or loss	**34,315**	**55,236**

The Group is affected by the different income tax rates to which the Group companies' activities are subject:

- Spain: Spanish Income Tax Law 27/2014 was published on 27 November 2014. This Law introduced certain changes to tax legislation in relation to income tax and came into force on 1 January 2015. As a result, the tax rates applicable in 2016 and 2017 are 28% and 25%, respectively.

- France: the standard tax rate is 34.43%.

- Italy: the income tax rate is 27.5% and there is a supplementary business tax which can represent an additional 4.6651%. A reduction in the tax rate from 27.5% to 24.5% applicable for fiscal years beginning on or after 1 January 2017 was approved on 31 December 2015.

- Portugal: the income tax rate is 22.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.

- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2017	**2016**
Current tax:		
Continuing operations	61,609	36,145
Deferred tax:		
Continuing operations	(16,184)	17,807
Tax adjustment and others	(11,110)	1,284
Total tax expense	**34,315**	**55,236**

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2017 and 2016 are as follows:

2017

	Thousands of Euros			
	Balance at 30-09-2016	**Change in Profit or Loss**	**Others**	**Balance at 30-09-2017**
Deferred tax assets:				
Provision for restructuring costs	2,116	(866)	(68)	1,182
Goodwill	2,223	(348)	-	1,875
Impairment losses and other	3,723	(2,829)	(13)	881
Provision for third-party liability	10,022	2,197	(366)	11,853
Other deferred tax assets	4,315	(129)	(33)	4,153
	22,399	**(1,975)**	**(480)**	**19,944**
Deferred tax liabilities:				
Assets contributed by Logista	(616)	27	-	(589)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(82,251)	(6,689)	177	(88,763)
Business combination	(214,486)	18,466	11,413	(184,607)
Other	(24,239)	6,355	-	(17,884)
	(328,717)	**18,159**	**11,590**	**(298,968)**

The deferred tax liability caption includes mainly the deferrals associated with the business combinations and goodwill recorded by the Group. During fiscal year 2017 there have been variations to the corporate income tax for the year together with the effect of changes in the tax rate in various legislations.

2016

	Thousands of Euros			
	Balance at 30-09-2015	**Change in Profit or Loss**	**Others**	**Balance at 30-09-2016**
Deferred tax assets:				
Provision for restructuring costs	1,465	931	(280)	2,116
Goodwill	8,312	(6,006)	(83)	2,223
Impairment losses and other	10,770	(6,781)	(266)	3,723
Provision for third-party liability	10,806	(540)	(244)	10,022
Other deferred tax assets	9,551	(5,081)	(155)	4,315
	40,904	**(17,477)**	**(1,028)**	**22,399**
Deferred tax liabilities:				
Assets contributed by Logista	(699)	83	-	(616)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(80,717)	(1,534)	-	(82,251)
Business combination	(233,756)	19,270	-	(214,486)
Other	(5,834)	(18,149)	(256)	(24,239)
	(328,131)	**(330)**	**(256)**	**(328,717)**

Tax credit and tax loss carryforwards

At 30 September 2017, the Group had tax credits not yet used by the tax group amounting to EUR 5,199 thousand (30 September 2016: EUR 4,619 thousand), which had been earned as part of the previous tax group. These tax credits are recognised under "Other Current Financial Assets" (see Note 26).

The Group's tax loss carryforwards at the end of 2017 were basically as follows:

- Spain: the tax losses not yet offset amount to EUR 6,233 thousand and were mainly incurred by Distribuidora de Ediciones, S.A..

- Portugal: the tax losses not yet offset amount to EUR 725 thousand, and were incurred by Logista Transportes, Transitarios e Pharma, Lda. and Midsid - Sociedade Portuguesa de Distribuçao, S.A..

- Italy: the tax losses not yet offset amount to EUR 762 thousand.

- Poland: the tax losses not yet offset amount to EUR 237 thousand.

20. Other current financial liabilities

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U. relating to the credit facility granted by it to "UTE Cía de distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U." (before, "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas"), which amounted to EUR 30,317 thousand at 30 September 2017 (30 September 2016: EUR 30,629 thousand). This amount represents the balance payable by the Group to "Compañía de Distribución Integral Logista, S.A.U y GTECH Global Lottery S.L.U., Unión Temporal de Empresas" as a result of the account payable to the other venturer of the UTE assumed by the Group (see Note 9).

21.Trade and other payables

The detail of "Trade and Other Payables" in the accompanying consolidated balance sheet at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Accounts payable for purchases and services	817,562	689,885
Notes payable	24,114	18,448
Payable to related companies (Note 26)	181,977	179,566
Advances received on orders	54	156
	1,023,707	**888,055**

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2017 was approximately 37 days (38 days in 2016).

22.Guarantee commitments to third parties

At 30 September 2017, the Group has been provided with bank guarantees totalling EUR 150,897 thousand (30 September 2016: EUR 158,520 thousand) which, in general, secure the fulfilment of certain obligations assumed by the consolidated companies in the performance of their business activities.

Also, the Group has provided guarantees for its ordinary trading operations; in this regard, the Parent's directors consider that any liabilities not foreseen at 30 September 2017 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2017, the Group had taken out insurance policies to cover possible contingencies for transport and storage in factories and representative offices, fire and third-party liability for all its work centres. The insured sum adequately covers the aforementioned assets and risks.

23. Revenue and expenses

a. Revenue

The detail of "Revenue" in the consolidated income statements for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Iberia	2,695,339	2,639,929
Italy	2,598,628	2,611,200
France	4,234,105	4,410,789
Corporate	7,578	10,408
Adjustment due to inter-segment sales	(42,409)	(40,322)
	9,493,241	**9,632,004**

b. Staff costs

The detail of the Group's "Staff Costs" in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expenses	196,129	185,270
Termination benefits	6,748	5,041
Employer social security costs	61,634	61,638
Other employee benefit costs (Note 4.12)	2,086	2,227
Other social costs	12,508	13,939
	(279,105)(*)	**(268,115) (*)**

(*) "Research Expenditure" includes EUR 1,387 thousand and EUR 1,304 thousand of staff costs in 2017 and 2016, respectively.

The average number of employees at the Group, by professional category, in 2017 and 2016, as well as the number of employes as of 30 September 2017 and 30 September 2016 was as follows:

2017

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/17			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	20	2	-	-	20	2	-	-
Line personnel and clerical staff	1,510	1,171	159	157	1,521	1,180	160	159
Messengers	1,525	549	366	140	1,553	540	356	158
	3,055	1,722	525	297	3,094	1,722	516	317
Total	**4,777**		**822**		**4,816**		**833**	

2016

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/16			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	21	2	-	-	22	2	-	-
Line personnel and clerical staff	1,455	1,148	173	157	1,472	1,141	160	159
Messengers	1,531	572	379	107	1,528	565	385	160
	3,007	1,722	552	264	3,022	1,708	545	319
Total	**4,729**		**816**		**4,730**		**864**	

The average number of disabled employees with a handicap higher than 33% at the Group's Spanish companies in 2017 and 2016 was as follows:

Category	2017	2016
Management	-	-
Line personnel and clerical staff	4	4
Messengers	16	26
Total	**20**	**30**

Remuneration of senior executives

The senior executive functions are discharged by members of the Management Committee, which consists of 12 members.

The remuneration earned in 2017 by the members of the Management Committee of the Parent amounted to EUR 5,175 thousand (2016: EUR 5,160 thousand), excluding Executive Directors. The aforementioned amounts include the amounts vested in the members of the Management Committee in 2017 and 2016 under the incentive plan described in Note 4.12.

The period contributions to the pension plans for members of the Management Committee for 2017 and 2016 amounted to EUR 52 thousand and 36 thousand, respectively.

c. Other operating expenses

The detail of "Other Operating Expenses" in the consolidated income statements is as follows:

Cost of logistics networks

	Thousands of Euros	
	2017	**2016**
Leases	(30,617)	(32,698)
Security and cleaning	(16,032)	(14,558)
Utilities	(16,563)	(16,936)
Other operating expenses	(123,816)	(111,551)
	(187,028)	**(175,743)**

Commercial expenses

	Thousands of Euros	
	2017	**2016**
Leases	(2,448)	(2,433)
Security and cleaning	(15)	(16)
Utilities	(1,244)	(1,188)
Other operating expenses	(18,115)	(17,869)
	(21,822)	**(21,506)**

Head Office costs

	Thousands of Euros	
	2017	**2016**
Leases	(4,106)	(4,201)
Security and cleaning	(615)	(624)
Utilities	(376)	(369)
Other operating expenses	(16,365)	(14,278)
	(21,462)	**(19,472)**

d. Future rental payment commitments

The Group has the following future rental payment commitments, classified by year of maturity, without considering future contingent rent revisions:

	Thousands of Euros	
	2017	**2016**
Within one year	(29,922)	(28,236)
Between one and five years	(55,416)	(60,667)
More than five years	(10,201)	(9,120)
	(95,539)	**(98,023)**

e. Finance Income

The detail of "Finance Income" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2017	**2016**
Interest income (Note 26)	13,156	12,367
Other finance income	18,219	2,153
	31,375	**14,520**

"Other Finance Income" includes the gain on the sale of the ownership interest in Banca ITB, S.p.A. on 19 December 2016, as indicated in Note 9.

f. Finance expenses

The detail of "Financial expenses" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2017	**2016**
Accrual for late payment interests and financial update of provisions	(396)	(783)
Other financial costs	(1,020)	(3,116)
	(1,416)	**(3,899)**

g. Audit fees

In 2017 and 2016 the fees for financial audit and other services provided by the joint auditors of the Group's consolidated financial statements, Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., or by firms related to these joint auditors as result of a relationship of control, common ownership or common management, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by firms related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	Thousands of Euros				
	Services Rendered by the Main Auditor			Services Rendered by other Auditors	
	2017		2016	2017	2016
	Deloitte	PWC	Deloitte		
Audit services	816	488	1,139	15	15
Reporting package to Imperial Brands, PLC	-	127	-	-	-
Other attest services	37	18	44	68	82
Total audit and related services	**853**	**633**	**1,183**	**83**	**97**
Transfer pricing counselling services	60	-	200	-	-
Authorised Economic Operator	-	-	50	-	-
Other services	41	-	91	-	-
Total other services	**101**	**-**	**341**	**-**	**-**
Total professional services	**954**	**633**	**1,524**	**83**	**97**

From the date of year-end to the date of preparation of these consolidated annual accounts, fees charged for non-audit and related services provided by co-auditor PricewaterhouseCoopers Auditores, S.L. amounted to 84.8 thousand euros.

h. Other disclosures

On 20 June 2017, the Spanish National Markets and Competition Commission (CNMC) resolved to commence enforcement proceedings against several companies, including Compañía de Distribución Integral Logista, S.A.U., for possible anti-competitive behaviour in the Spanish cigarette manufacturing, distribution and retail sale market.

At the date of these consolidated financial statements, a decision had not yet been handed down by the CNMC, which has a maximum period of 18 months from the filing of the proceedings in progress to issue its decision. The Parent's directors and legal advisers consider that the risk of any impact on the Group's equity position and results arising from the aforementioned proceedings would not be significant and, accordingly, no contingent liabilities are expected to arise from those proceedings.

24. Segment reporting

Basis of segmentation

Segment reporting is structured by geographical segment. The Group's business activities are located mainly in Iberia (Spain and Portugal), France and Italy. In the "Corporate and Others" line Poland is included.

Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by Logista Group management which are generated through a computer application which categorises the transactions by geographical area.

The segment's ordinary revenue relates to the ordinary income directly allocable to the segment plus the relevant proportion of the Group general revenue that can be allocated thereto using reasonable allocation bases. Each segment's ordinary revenue does not include interest or dividend income or gains arising from sale of investments.

The expenses of each segment are determined as the directly allocable expenses arising from its operating activities plus the relevant proportion of the expenses which may be allocated to the segment using reasonable allocation bases. The expenses allocated do not include interest or losses arising from the disposal of investments; similarly, they do not include the income tax expense or the head office's general administrative expenses that are not related to the segments' operating activities and, therefore, that cannot be allocated using reasonable allocation bases.

The assets and liabilities of the segments are those that are directly related to their operations plus those that can be directly attributed to them on the basis of the aforementioned allocation system, and include the proportional part of joint ventures. Segment liabilities do not include income tax liabilities.

Segments information

	Thousands of Euros			
	Iberia		Italy	
	2017	**2016**	**2017**	**2016**
Revenue:				
External sales	2,695,339	2,639,929	2,598,628	2,611,200
Tobacco and related products	2,322,557	2,270,963	2,598,628	2,611,200
Transport	341,121	329,911	-	-
Other businesses	125,828	129,906	-	-
Other adjustments	(94,167)	(90,851)	-	-
Inter-segment sales				
Total revenue	**2,695,339**	**2,639,929**	**2,598,628**	**2,611,200**
Procurements:				
External procurements	(2,161,907)	(2,133,319)	(2,357,771)	(2,366,308)
Inter-segment procurements				
Total procurements	**(2,161,907)**	**(2,133,319)**	**(2,357,771)**	**(2,366,308)**
Gross profit:				
External gross profit	533,432	506,610	240,858	244,892
Tobacco and related products	265,645	248,351	240,858	244,892
Transport	236,084	227,286	-	-
Other businesses	76,277	73,592	-	-
Other and adjustments	(44,574)	(42,619)	-	-
Inter-segment gross profit				
Total gross profit	**533,432**	**506,610**	**240,858**	**244,892**
Profit (Loss):				
Segment result	102,904	89,789	57,810	72,150
Share of results of associates		-	-	-
Profit (Loss) from operations	**102,904**	**89,789**	**57,810**	**72,150**

Inter-segment sales are made at prevailing market prices.

	Thousands of Euros					
	France		Corporate and Other		Total Group	
	2017	2016	2017	2016	2017	2016
	4,234,105	4,410,789	7,578	10,408	9,535,650	9,672,326
	4,049,946	4,207,879	7,578	10,408	8,978,709	9,100,450
	-	-	-	-	341,121	329,911
	190,802	209,277	-	-	316,630	339,183
	(6,643)	(6,367)	-	-	(100,810)	(97,218)
					(42,409)	(40,322)
	4,234,105	**4,410,789**	**7,578**	**10,408**	**9,493,241**	**9,632,004**
	(3,960,532)	(4,128,951)	-	-	(8,480,210)	(8,628,578)
					36,664	34,656
	(3,960,532)	**(4,128,951)**	**-**	**-**	**(8,443,546)**	**(8,593,922)**
	273,573	281,838	7,578	10,408	1,055,441	1,043,748
	228,710	236,335	7,578	10,408	742,791	739,986
	-	-	-	-	236,084	227,286
	50,063	50,524	-	-	126,340	124,116
	(5,200)	(5,021)	-	-	(49,774)	(47,640)
					(5,746)	(5,666)
	273,573	**281,838**	**7,578**	**10,408**	**1,049,695**	**1,038,082**
	10,399	25,893	(13,848)	(11,591)	157,265	176,241
	-	-	-	-	734	902
	10,399	**25,893**	**(13,848)**	**(11,591)**	**157,999**	**177,143**

The detail of the other disclosures related to the Group's business segments is as follows:

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Others		Total Group	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Other disclosures:										
Additions to non-current assets	20,123	18,210	4,539	2,351	4,905	4,318	24	14	29,591	24,893
Depreciation and amortisation charge	(22,452)	(24,945)	(6,260)	(7,427)	(58,051)	(57,786)	(84)	(89)	(86,846)	(90,247)
Balance sheet:										
Assets										
Property, plant and equipment, investment properties and non-currents assets held for sale	141,587	141,277	20,734	21,911	43,526	45,272	160	213	206,007	208,673
Other non-current assets	61,833	60,708	670,562	693,593	766,356	818,143	823	5	1,499,574	1,572,449
Inventories	410,869	398,715	287,479	260,508	424,274	426,606	-	-	1,122,622	1,085,829
Trade receivables	519,743	494,956	325,389	344,965	901,132	935,891	1,074	1,350	1,747,338	1,777,162
Other current assets									1,967,207	2,078,704
Total consolidated assets									**6,542,748**	**6,722,817**
Liabilities										
Non-current liabilities	114,701	109,335	36,270	54,029	189,563	202,945	-	-	340,534	366,309
Current liabilities	1,402,664	1,427,369	1,619,006	1,710,043	2,677,284	2,726,689	827	539	5,699,781	5,864,640
Equity									502,433	491,868
Total consolidated liabilities									**6,542,748**	**6,722,817**

25. Foreign currency transactions

The Logista Group's foreign currency transactions in 2017 and 2016, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2017	**2016**
Sales	13,879	13,098
Purchases	7,950	6,124
Services received	5,079	5,935

26. Balances and transactions with related parties

The balances at 30 September 2017 and 2016 with related companies were as follows:

2017

	Thousands of Euros			
	Receivables		**Payables**	
	Credit Facilities (Note 9)	**Accounts Receivable (Note 11)**	**Accounts Payable (Note 21)**	**Loans**
Altadis, S.A.U.	-	2,728	45,071	-
Altadis Canarias, S.A.	-	814	9,512	-
Imperial Brands Enterprise Finance Limited	1,790,846	-	-	-
Imperial Tobacco International Limited	-	186	22,318	-
Imperial Tobacco España, S.L.U.	-	-	-	1,039
Seita, S.A.S.	-	19,675	77,766	-
Imperial Tobacco Italia, Srl	-	363	23,896	-
Tabacalera, S.L. Central Overheads	-	794	3,249	-
Others	4	2,124	165	3,015
	1,790,850	**26,684**	**181,977**	**4,054**

2016

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	2,119	43,448	-
Altadis Canarias, S.A.	-	790	8,466	-
Imperial Brands Enterprise Finance Limited	2,001,448	-	-	-
Imperial Tobacco International Limited	-	864	19,993	-
Imperial Tobacco España, S.L.U.	6,057	-	-	-
Seita, S.A.S.	-	921	77,274	-
Imperial Tobacco Italia, Srl	-	421	26,964	-
Tabacalera, S.L. Central Overheads	-	659	3,363	-
Others	1	2,132	58	2,848
	2,007,506	**7,906**	**179,566**	**2,848**

The accounts payable and accounts receivable stem from balances payable and receivable, respectively, related to commercial transactions, mainly purchases of tobacco and related products, between Logista Group companies and Imperial Brands Group PLC companies.

The "Credit Facilities" with Imperial Brands Enterprise Finance Limited relate to cash agreement among Logista Group and the Imperial Brands Group PLC (see Note 9).

The transactions with related companies in 2017 and 2016 were as follows:

2017

	Thousands of Euros			
	Operating Income	**Finance Results (Note 23-e)**	**Purchases**	**Other Operating Expenses**
Altadis, S.A.U.	9,907	-	365,050	-
Altadis Canarias, S.A.	7,012	-	50,918	-
Tabacalera S.L. Central Overheads	5,153	-	138	-
Imperial Tobacco Italy, s.r.l.	3,667	-	90,751	-
Imperial Tobacco Polska, S.A.	2,950	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	1,121	-	-	-
Imperial Brands Enterprise Finance Limited	-	12,629	-	-
Imperial Tobacco International Limited	1,765	-	35,053	-
Imperial Tobacco Portugal SPPLC	767	-	-	-
Macotab, S.A.S.	-	-	-	377
SEITA, S.A.	28,139	-	372,798	188
Fontem International Gmbh	247	-	1,956	-
Others	6,014	527	209	174
	66,742	**13,156**	**916,873**	**739**

2016

	Thousands of Euros			
	Operating Income	**Finance Results (Note 23-e)**	**Purchases**	**Other Operating Expenses**
Altadis, S.A.U.	7,951	-	383,916	5
Altadis Canarias, S.A.	5,732	-	44,816	-
Tabacalera S.L. Central Overheads	4,715	-	125	-
Imperial Tobacco Italy, s.r.l.	2,623	-	73,827	-
Imperial Tobacco Polska, S.A.	3,024	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	1,359	-	-	-
Imperial Brands Enterprise Finance Limited	-	12,392	-	-
Imperial Tobacco International Limited	2,834	-	34,849	-
Imperial Tobacco Portugal SPPLC	1,067	-	-	-
Macotab, S.A.S.	-	-	-	376
SEITA, S.A.	7,826	-	418,714	122
Others	7,977	(25)	483	280
	45,108	**12,367**	**956,730**	**783**

Operating income and other operating expenses relate to services provided by Group companies for the handling, logistics and storage of goods. In addition, statistical and market information services are occasionally provided.

The purchases are included as a result of acquiring tobacco and related products, as well as convenience products related to tobacco. Specifically, the transactions with Altadis, S.A.U., Imperial Tobacco Italy, Srl, Imperial Tobacco International, Ltd, Altadis Canarias, S.A. and Seita, S.A.S. relate to purchases of tobacco and related products from these companies to then be subsequently sold in the markets where the Group operates.

27. Remuneration of directors

Remuneration of the Parent's directors

In 2017 the remuneration earned by the members of the Board of Directors as a result of their membership thereof or of any of its executive committees in all connections, including the remuneration received by the members of the Board who in turn are executives, amounted to EUR 4,120 thousand (2016: EUR 3,842 thousand).

In addition, the employer contributions to pension plans for the executive directors amounted to EUR 11 thousand in 2017 and 2016.

The life insurance premium corresponding to the Executive Directors amounted to 15 thousand in 2017 and 2016.

The Group has long-term incentive plans for executive directors which characteristics are detailed in Note 4.12.

Also, in 2017 and 2016 the Parent did not perform with the members of the Board of Directors any transactions not relating to its ordinary business operations or any transactions not carried out under customary conditions.

In 2017 the directors' third-party liability insurance amounted to EUR 46 thousand (2016: EUR 57 thousand).

The Board's composition is nine male directors and one female.

Information regarding situations of conflict of interest involving the directors

Pursuant to Article 229 of the Spanish Capital Companies Law consolidated text, the directors have not reported any situation of direct or indirect conflict of interest that either they or persons related to them might have with the interests of the Group.

28. Disclosures on the payment periods to suppliers, Additional Provision Three "Disclosure obligation" provided for in Law 15/2010, of 5 July

Set forth below are the disclosures -the detail of payments made to suppliers- required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	Days	
	2017	**2016**
Average period of payment to suppliers	37	38
Ratio of transactions settled	37	38
Ratio of transactions not yet settled	43	42

	Thousands of Euros	
	2017	**2016**
Total payments made	9,537,123	9,359,034
Total payments outstanding	680,684	539,616

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

29. Environmental matters

In-force environmental legislation does not significantly affect the activities carried on by the Group and, therefore, it does not have any environmental liability, expenses, income, grants, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

30. Events after the reporting period

No significant events have occurred subsequent since the end of the year ended 30 September 2017.

31. Explanation added for translation to English

These consolidated financial statements are presented on the basis the regulatory financial reporting framework applicable to the Group (see Note 2.1.). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

The following companies were fully consolidated because they are companies in which the Logista Group holds a majority of the voting power:

2017

Company	Audit Firm	Location
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Publicaciones y Libros, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U. (a)	BDO	Avda. de la Veguilla, 12-A. Cabanillas del Campo
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier. 37 (Roma)
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o. (a)	No audit	Al.Jerozolimskie, 96, Warszawa (Polonia)
Logesta Deutschland Gmbh (a)	No audit	Unsöldstrabe,2 , 20538, München (Alemania)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, C/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A. (a)	Pwc	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A. (b)	Pwc	Vía Valadier, 37. Roma (Italia)
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 96. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)

(a)All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.
(b)These companies engage in the purchase and sale of consumer products.
(c)The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
(d)These companies' object is the performance of transport activities.
(e)This company is specialised in software development for the management of points of sale for publications.
(f) Companies specialising in the distribution of pharmaceutical and related products.

% of Ownership By the Parent Company		Thousands of Euros				
		Net Book Value	Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
100	-	974,054	4,170,771	3,873,470	297,301	177,201
-	100	-	51,632	48,175	3,457	920
-	100	-	3,906	3,234	672	8
-	100	3,614	3,199	2,498	701	(431)
-	100	410	2,840	1,387	1,453	123
-	80	64	1,010	739	271	53
-	50	69	2,787	2,448	339	15
-	100	239	771	656	115	(65)
-	100	360	1,215	1,088	127	6
-	50	445	3,126	2,424	702	(27)
-	100	64	48	7	41	(16)
-	100	557	1,760	1,176	584	55
-	100	6,661	8,932	6,178	2,754	450
-	100	1,352	2,354	620	1,734	107
-	100	4,534	56,871	51,424	5,447	2,870
-	100	1,202	21,209	17,903	3,306	2,337
-	100	4,510	30,883	26,078	4,805	3,589
-	100	100	11,927	10,323	1,604	1,484
-	100	42	66	18	48	(5)
-	100	261	2,564	2,185	379	99
-	100	100	408	17	391	(70)
-	100	-	2,679	890	1,789	304
-	100	21,292	102,948	60,729	42,219	16,311
-	100	1,657	4,706	916	3,790	793
-	100	12,852	37,682	24,830	12,852	3,950
-	100	3	681	507	174	91
-	100	605,629	1,709,223	1,610,769	98,454	63,696
-	68	762	45,383	44,171	1,212	(829)
-	100	964	9,380	8,473	907	570
-	100	1,383	2,219	842	1,377	271
-	100	920,161	3,041,283	2,737,403	303,880	69,129
-	100	22,128	102,176	28,959	73,217	(5,935)
-	100	-	58,939	59,738	(799)	(6,002)
-	100	12,152	7,416	1,471	5,945	792

2016

Company	Audit Firm	Location
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Publicaciones y Libros, S.A. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U. (a)	BDO	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier. 37 (Roma)
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o. (a)	Deloitte	Al.Jerozolimskie, 133, Warszawa (Polonia)
Logesta Deutschland Gmbh (a)	No audit	Pilotystr 4. 80538- München-(Alemania)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, C/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A. (a)	Deloitte	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A. (b)	Deloitte	Vía Valadier, 37. Roma (Italia)
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 133. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia

(a)All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.
(b)These companies engage in the purchase and sale of consumer products.
(c)The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
(d)These companies' object is the performance of transport activities.
(e)This company is specialised in software development for the management of points of sale for publications.
(f) Companies specialising in the distribution of pharmaceutical and related products.

% of Ownership By the Parent Company		Thousands of Euros				
		Net Book Value	Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
100	-	969,596	4,340,263	4,076,729	263,534	110,309
-	100	-	46,063	43,526	2,537	1,057
-	100	-	2,583	1,919	664	(17)
-	100	530	3,351	3,519	(168)	(566)
-	100	271	2,524	1,194	1,330	101
-	80	64	924	676	248	29
-	50	5	2,824	2,500	324	43
-	100	-	525	545	(20)	(62)
-	100	251	1,207	1,086	121	31
-	50	-	3,403	2,673	730	(91)
-	100	76	64	6	58	(9)
-	100	369	1,681	1,152	529	2
-	100	3,513	10,219	7,358	2,861	557
-	100	1,352	2,303	600	1,703	92
-	100	741	39,529	36,952	2,577	1,521
-	100	1,202	19,616	18,797	819	(359)
-	100	4,510	28,308	26,463	1,845	4,630
-	100	100	10,277	8,818	1,459	1,339
-	100	32	72	19	53	(8)
-	100	128	833	554	279	42
-	100	100	480	20	460	(60)
-	100	50	2,821	1,336	1,485	224
-	100	21,292	97,945	67,777	30,168	14,883
-	100	1,657	6,435	2,309	4,126	1,129
-	100	937	29,982	21,080	8,902	3,049
-	100	3	523	440	83	108
-	100	605,629	1,792,503	1,701,610	90,893	56,747
-	68	166	28,201	26,160	2,041	1,083
-	100	240	10,752	10,415	337	184
-	100	527	1,656	554	1,102	581
-	100	920,161	3,120,394	2,806,342	314,052	77,351
-	100	22,128	125,610	26,456	99,154	5,134
-	100	7,986	36,949	31,747	5,202	(3,494)

Appendix II

Logista Group Associates

The companies detailed below were accounted for using the equity method:

2017

Company	Audit Firm	Location	Activity
Logista Libros, S.L. (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications

(*)Held indirectly through Compañía de Distribución Integral Logista, S.A.U.

2016

Company	Audit Firm	Location	Activity
Logista Libros, S.L. (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications

(*)Held indirectly through Compañía de Distribución Integral Logista, S.A.U.

% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
-	50	-	42,564	37,425	5,139	1,469

% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
-	50	-	40,033	35,263	4,770	1,917

Consolidated Directors Report for financial year ended on September 30th 2017

Evolution of Grupo Logista in 2017 and position of the Group

The Group recorded during fiscal year 2017 a very positive evolution of results. Main highlights:

- Economic Sales[1] increases 1.1%, recovering the fall in activity reflected in the 1.4% reduction in Revenues
- Adjusted Operating Profit and Profit from Operations reduce 6.8% and 10.8% respectively, burdened by the significant variation of non-recurring between fiscal years and despite the positive performance recorded by the underlying activity
- Net Income grows by 16.5%

Financial overview

	Million Euros		
	1 Oct. 2016 – 30 Sept. 2017	**1 Oct. 2015 – 30 Sept. 2016**	**% Change**
Revenues	9,493.2	9,632.0	(1.4%)
Economic Sales	1,049.7	1,038.1	1.1%
Adjusted Operating Profit	218.8	234.8	(6.8%)
Margin over Economic Sales	20.8%	22.6%	(180) p.b.
Profit from operations	158.0	177.1	(10.8%)
Net Income	153.9	132.1	16.5%

The evolution of the recurring activity of the Group during current fiscal year has been positive, confirming once more the solidity of Logista's business model.

The international and sectoral diversification as well as the constant emphasis in the development of added value services for its clients, have permitted to compensate for a great part of the variation of non-recurring results recorded in fiscal years 2017 and 2016 and that having affected all geographies, have had a special effect in the France and Italy segments.

Per activities, it is noteworthy the relevant growth obtained in the distribution of convenience products (in Iberia and Italy), in Pharma and in Transport.

1. Economic Sales: This term equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.

The tobacco distribution recurring activity has registered certain growth as well, thanks to the added value services rendered to the sector and despite tobacco market is being marked by a certain volume weakness, having decreased by 3.7% (cigarettes and RYO) during the fiscal year compared to fiscal year 2016, a trend in contrast to the trend recorded in said fiscal year, when the yearly variation vs. fiscal year 2015 was +0.5%. All markets but Portugal recorded volume reductions.

On the other hand, and despite what has been usual historically in the tobacco sector, in fiscal year 2017 something unusual has occurred and this is that, having increased the Spanish, French and Italian Governments the taxation on tobacco products throughout the fiscal year, only manufacturers in Spain decided to increase prices enough to compensate at least for the negative impact of these increases on their margins.

Although is not completely infrequent that during a fiscal year tobacco manufacturers decide not to completely pass through to the final consumer a tax increase in any of the geographies where the Group operates, it is quite uncommon that movements of such characteristics take place in more than one country simultaneously and that are not reverted in the same fiscal year.

The increase of revenues in Iberia segment mitigated the drop in revenues in the France and Italy segments and translated into a slight decline in the Group's Revenues.

Economic Sales grew in Iberia in all the activities allowing to more than offset the reduction recorded in France and Italy due to the impact of non-recurring.

Total operating costs grew by 3.4%, above the increase of Economic Sales. This increase was driven to a great extent by the record, during the first quarter of the year of a €6.8 million non-recurring cost in the Iberia segment. If said non-recurring cost is eliminated from the base, the operating costs growth compared to the preceding year was 2.6%, below the increase recorded by the Economic Sales derived from the recurring activity.

The control of costs and the constant efficiency improvement continue being one of the main axes of the operating model of the Group.

The Adjusted EBIT declined by 6.8% and the Adjusted EBIT margin over Economic Sales reached 20.8% compared to the 22.6% obtained in fiscal year 2016. This negative evolution is due to the impact that the variation of non-recurring had on the results' yearly comparison.

On the other hand, the persistent weakness shown by the France segment translated into an increase of restructuring costs recorded during the fiscal year (€9.0 million) compared to the preceding year (€6.6 million), contributing to Profit from operations' reduction of 10.8% in relation to the previous year.

The capital gain derived from the sale of one of the affiliates in the Italy segment in the first quarter caused an important rise of the financial results of the period, despite the stability in the reference rate of the European Central Bank.

The reduction of the Corporate Income Tax rate in all the geographies, as well as the fact that the capital gain in the sale of the mentioned affiliate pays a very reduced rate, translated into a tax rate substantially lower than in fiscal year 2016 (18.3% vs. 29.4%).

As a consequence of all the above mentioned, the Net Income growth reached 16.5%.

Revenues Evolution (By Segment and Activity)

	Million Euros		
	1 Oct. 2016 – 30 Sept. 2017	**1 Oct. 2015 – 30 Sept. 2016**	**% Change**
Iberia	**2,695.3**	**2,639.9**	**2.1%**
Tobacco and Related Products	2,322.6	2,270.9	2.3%
Transport	341.1	329.9	3.4%
Other Businesses	125.8	129.9	(3.1%)
Adjustments	(94.2)	(90.8)	(3.6%)
France	**4,234.1**	**4,410.8**	**(4.0%)**
Tobacco and Related Products	4,049.9	4,207.9	(3.8%)
Other Businesses	190.8	209.3	(8.8%)
Adjustments	(6.6)	(6.4)	(4.3%)
Italy	**2,598.6**	**2,611.2**	**(0.5%)**
Tobacco and Related Products	2,598.6	2,611.2	(0.5%)
Corporate and Others	**(34.8)**	**(29.9)**	**(16.4%)**
Total Revenues	**9,493.2**	**9,632.0**	**(1.4%)**

Economic Sales Evolution (By Segment and Activity)

	Million Euros		
	1 Oct. 2016 – 30 Sept. 2017	**1 Oct. 2015 – 30 Sept. 2016**	**% Change**
Iberia	**533.4**	**506.7**	**5.3%**
Tobacco and Related Products	265.6	248.4	7.0%
Transport	236.1	227.3	3.9%
Other Businesses	76.3	73.6	3.6%
Adjustments	(44.6)	(42.6)	(4.6%)
France	**273.6**	**281.8**	**(2.9%)**
Tobacco and Related Products	228.7	236.3	(3.2%)
Other Businesses	50.1	50.5	(0.9%)
Adjustments	(5.2)	(5)	(3.6%)
Italy	**240.9**	**244.9**	**(1.6%)**
Tobacco and Related Products	240.9	244.9	(1.6%)
Corporate and Others	**1.8**	**4.7**	**(61.4%)**
Total Economic Sales	**1,049.7**	**1,038.1**	**1.1%**

Adjusted EBIT Evolution (By Segment)

	Million Euros		
	1 Oct. 2016 – 30 Sept. 2017	**1 Oct. 2015 – 30 Sept. 2016**	**% Change**
Iberia	104.8	95.1	10.2%
France	67.8	76.2	(10.9%)
Italy	59	75.7	(22.0%)
Corporate and Others	(12.9)	(12.2)	(6.0%)
Total Adjusted EBIT (*)	**218.8**	**234.8**	**(6.8%)**

(*) See Alternative performance measures caption

Adjusted Operating Profit (or indistinctly Adjusted EBIT) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for the fiscal years 2017 and 2016 is shown:

	Million Euros	
	1 Oct. 2016 – 30 Sept. 2017	**1 Oct. 2015 – 30 Sept. 2016**
Adjusted Operating Profit	**218.8**	**234.8**
(-) Restructuring Costs	(9.0)	(6.6)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
(+/-) Net Result of Disposal and Impairment	(0.3)	0.2
(+/-) Share of Results of Companies and Others	0.7	0.9
Profit from Operations	**158.0**	**177.1**

Business Review

Iberia: Spain and Portugal

The Iberia segment's Revenues reached €2,695.3 million compared to €2,639.9 million in fiscal year 2016, recording a 2.1% growth. The Economic Sales of the segment reached €533.4 million, a 5.3% above the €506.7 million recorded in the preceding fiscal year.

Revenues in Tobacco and related products increased by 2.3% as a consequence of the increase in retail selling price of tobacco and the growth in revenues from the rest of the products, offsetting the drop suffered by volumes.

In contrast to the retail selling price stability of tobacco products in fiscal year 2016, during fiscal year 2017 tobacco manufacturers increased the price of the pack of cigarettes in 10 cents, after the rise in excise taxes taken by the Spanish Government.

After the mentioned retail selling price increase, the tobacco volumes distributed in Spain started to record a slightly decreasing trend, dropping by 2.6% in the fiscal year, contrasting with the year-on-year stability shown in the preceding year.

Distributed volumes of RYO and cigars maintained a decreasing trend throughout the fiscal year, respectively reaching a cumulated fall in the fiscal year of 2.8% and 4.4% vs. -1.6% and -2.9% in the yearly comparison of the preceding year.

The revenues from the distribution of convenience products recorded a significant growth, reaching a high double digit, even when comparing at constant perimeter.

The strong commercial push that is being undertaken in this business line and the enlargement of the portfolio through new product lines, permitted to increase the Group's penetration in the tobacconist channel, as well as developing the potential addressable market. Additionally, the revenues from the new activity derived from the distribution agreement to wholesalers, signed in the second quarter of the previous year with an important FMCG manufacturer, added to that growth.

This way, the good evolution of sales of other products, the net impact on inventories of price and excise tax increases, the very good performance of the activity in Portugal, as well as the increase of value added services and transport, translated into 7.0% Economic Sales growth of Tobacco and related products in respect to the preceding year, despite the reduction of tobacco distributed volumes in Spain.

Revenues in Transport recorded, as a whole, a very solid performance, growing by 3.4%. The parcel and courier activities continued increasing Revenues and Economic Sales while full truck load activity remained practically stable, despite the tobacco volume drops suffered in all geographies and the reduction in some routes' distance due to the manufacturing relocations of a client. Transport Economic Sales increased by 3.9% up to €236.1 million.

The activity indicators in courier and parcel continue showing robustness, growing at double digit in the first one and a slight acceleration in the growth rate in the second, thanks to the constant investment by the Group in the maintenance and improvement of quality levels, as well as the incorporation of additional services to satisfy the new requirements from clients in sectors as demanding as, for example, the pharmaceutical sector.

Revenues in Other Businesses (which includes Pharma, lottery and publications distribution activities) reduced by 3.1% reaching €125.8 million, while Economic Sales went up by 3.6% to €76.3 million, as a consequence of the migration from a model based on sales to a model based on service rendering.

The Pharma activity has advanced in the fiscal year both in the achievement of new clients and in the enlargement of services offered to current clients.

After the incorporation of new clients during the year, Logista Pharma has signed in June a long term agreement with Sanofi (fifth world's biggest pharmaceutical company by revenue) under which it will manage the distribution to hospitals, pharmacies and wholesalers of its complete portfolio of products including healthcare and vaccines. The activity started on 1 October 2017 in general, although in the case of vaccines will start in 1 January 2019.

This agreement represents a step forward in the Group's strategy and will allow Logista Pharma to continue strengthening its leadership in the distribution to hospitals at the same time that will reinforce its position in the distribution to pharmacies in Spain.

Total operating expenses reported in the Iberia segment grew by 4.2%, below the increase of Economic Sales. However, as previously mentioned, non-recurring expenses up to €6.8 million were recorded in the period so the recurring operating expenses growth was only 2.6%, significantly lower than the growth experienced by the recurring activity.

Adjusted Operating Profit reached €104.8 million what represents a progress of 10.2% with respect to last year. This progress is even more significant if the impact of the non-recurring cost recorded in the period is not considered.

During the period the restructuring costs (€1.7 million) were well below the €5.1 million recorded in the previous year and the Profit from Operations reached €102.9 million versus €90.0 million recorded in fiscal year 2016.

France

Revenues from the France segment reduced by 4.0% to €4,234.1 million while Economic Sales declined less than that, a 2.9%, to reach €273.6 million.

Tobacco and related products Revenues fell by 3.8% to €4,049.9 million mainly due to the decline experienced by distributed tobacco volumes vs. last year in cigarettes (-2.7%) and in RYO (-5.4%).

The distributed tobacco volumes have recorded an irregular trend in the fiscal year, even showing cigarette growth in the second and third quarters to finally close recording a moderate drop, despite the definitive introduction of plain packaging in January 2017.

Whereas in last fiscal year the price of tobacco products did not suffered modifications, in this fiscal year, prices have experienced an uneven evolution, depending on the concrete product category.

During fiscal year 2017, the French Government has initiated several tax and sector regulation measures which had an impact in the manufacturers' take over tobacco revenues.

Thus, at the beginning of the second quarter, the French Government implemented a significant rise in the taxation of Roll-Your-Own tobacco, increased tobacconists' commission on the sale of tobacco products and announced the entry into force of a new levy charging the revenues of tobacco wholesalers (all measures from 1 January 2017). Additionally, in the third quarter, the Government increased the minimum collectable tax for cigarettes and RYO.

Although price movements derived from these measures were different among manufacturers, depending on the brands and the category of product, the net effect could be summed up in the following way: there were retail selling price increases in RYO and there were not increases or, even in some case, there were decreases in the cigarette prices.

Therefore, the price movements by manufacturers throughout the year did not offset the total impact of the previously mentioned measures and these movements of prices and taxes had a non-recurring negative impact over the results in the second, third and fourth quarters of this fiscal year.

Regarding tobacco distribution contracts in France, those with British American Tobacco and Japan Tobacco International were renewed for a period of 4 years in both cases.

The revenues from electronic transactions reduced significantly as a consequence of the decline that the prepaid telephony is recording some years ago as well as of the decline that is starting to affect the money cards linked to a higher control on cash movements. The revenues of convenience products recorded a weaker performance than in fiscal year 2016.

The Economic Sales from Tobacco and related products declined to a lower extent than Revenues vs. the previous year (-3.2% to €228.7 million) thanks to higher margins of Economic Sales over Revenues in electronic transactions, to the mix of unitary distribution fees as a result of the decline in tobacco volumes and to the increase in value added services rendered, allowing to offset the non-recurring negative impact of movements in prices and taxes of tobacco products and the drop of distributed volumes.

The Other Businesses activity (wholesale distribution of convenience products in non-tobacconist channels) has performed weakly since the end of last fiscal year, reason why a restructuring of the business was started. The activity continued not showing recovery signs at closing and recorded a fall of 8.8% in Revenues.

However, the improvement achieved in the mix of tariffs, after the significant piece of work on the portfolio of clients previously developed, enabled to mitigate the impact of the Revenues reduction and to reach a similar Economic Sales figure similar to that obtained in the preceding year (-0.9%).

The total operating costs of the segment stood absolutely stable so Adjusted Operating Profit declined to €67.8 million, a 10.9% lower than in the preceding year.

The increase in restructuring expenses to €5.2 million led Profit from Operations to €10.4 million well below that obtained during fiscal year 2016 (€25.9 million). The main adjustment in the segment is the amortization of assets generated from the acquisition of Logista France that was €52.2 million in both periods.

Italy

The retail selling price increase of tobacco products carried out by the manufacturers in the third quarter of fiscal year 2016 as well as the significant increase in sales of convenience products during current fiscal year enabled more than offsetting the impact of the decline of tobacco volumes distributed and, thus, Revenues in the Italy segment reached €2,598.6 million a 0.5% below the €2,611.2 million obtained in the previous fiscal year.

Cigarette distributed volumes declined by 6.1% compared to the 0.1% fall recorded last year. The RYO category grew by 12.6% vs. the increase of 4.4% recorded in the preceding year.

This evolution is probably caused to a large extent by the entry into force on 1 October 2016 of the ban of sales of 10- cigarette packs. As the macroeconomic growth of the country is still very moderate, the existence of a cigarette pack with a lower price (as it contains half of the cigarettes) made its purchase affordable for a higher number of smokers.

With respect to tobacco taxation, in the second quarter of both current and previous fiscal years automatic updates of the minimum tax occurred and, in the current fiscal year, the Government implemented in addition a general increase of excise taxes (including ad-valorem and specific).

Although a small number of brands reduced their prices between 20 and 30 cents per pack in the first quarter, and some others increased their prices in the fourth quarter, the cigarette retail selling prices remained stable in general during current fiscal year. This evolution contrasts with the 20 cents per pack increase taken by tobacco manufacturers in the third quarter last year.

The net impact of said movements in taxes and prices, far away from offsetting the increased experienced by the tax incidence, translated into a negative effect in current fiscal year results, while in fiscal year 2016 this effect was positive. This different performance was due to the fact that, in the third quarter of fiscal year 2016, tobacco manufacturers offset, through price increases, the negative effect derived from the automatic update of the taxes that took place in the previous quarter.

In the fiscal year 2017, the contract with JTI was renewed in Italy for 5 years.

The commercial strategy followed by the segment, in line with the business model of the Group, continued providing satisfactory results that translated into robust growths (double digit) in Revenues and Economic Sales in the convenience products distribution activity. This fact as well as the increase in the new value added services rendered to manufacturers, which this year were specially linked to the NGP (Next Generation Products) category, resulted in higher recurring Economic Sales in the Italy segment.

However, the impact of the significant year-on-year variation of non-recurring results in the fiscal year 2017 has resulted in a drop of 1.6% in the reported Economic Sales (€240.9 million vs. €244.9 million in fiscal year 2016).

Total operating costs of the segment increased by 7.5% with respect to last year, what together with the already mentioned Economic Sales reduction, led Adjusted Operating Profit to reach €59.0 million, a 22% less than in the preceding year.

The lower restructuring costs recorded in this fiscal year (€1.2 million compared to €3.2 million) slightly mitigated the Operating Profit drop that reached €57.8 million.

Corporate and others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit experienced a slight decrease compared to the previous fiscal year and reached -€12.9 million vs. -€12.2 million.

Financial results evolution

Financial results grew by 182.1% to reach €30.0 million vs. €10.6 million obtained in the previous year mainly due to the capital gain recorded after the sale, during the first quarter, of an affiliate in the Italy segment, the e-bank ITB, aimed to provide service to the tobacconist network in Italy.

The interest rate used as a reference in the treasury agreement with our majority shareholder (European Central Bank main rate), over which a 75 b.p. spread is obtained under that agreement, stood still during the fiscal year at 0.0%. In the same period of last year stood at 0.05% until 10 March and since then it was 0.0%.

The average cash position during the fiscal year was €1,659 million compared to €1,582 million in the preceding fiscal year.

Net income evolution

Earnings before Taxes stood at the same level as in the preceding year (+0.1%) reaching €188.0 million whereas Net Income increased by 16.5% to reach €153.9 million.

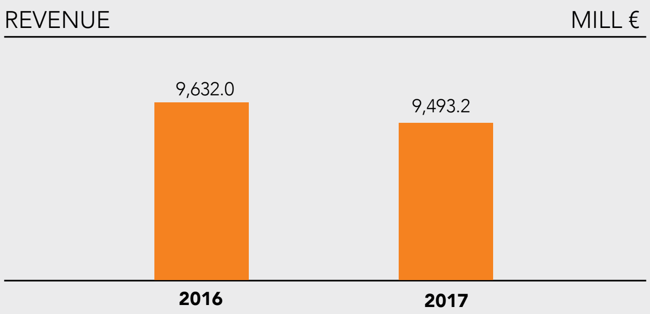
The reduction in the effective consolidated tax rate recorded in the period, that reached 18.3% vs. 29.4% in the same period last year, is explained in its vast majority by the fact that the capital gain derived from the sale of the affiliate in Italy pays a much reduced rate.

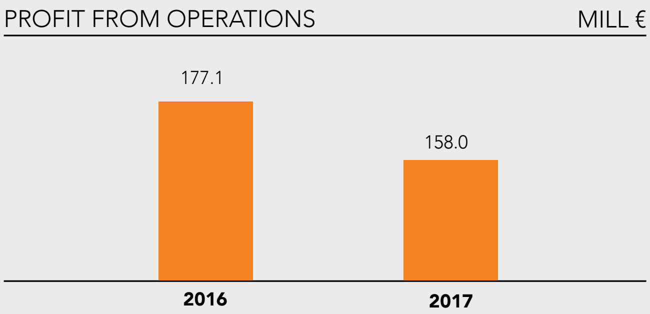
Moreover, it so happens that the nominal corporate tax rate in all geographies where the Group operates has been reduced or announced to be reduced, leading to a review in deferred taxes and its consequent impact in the tax-expense in the Profit and Loss account.

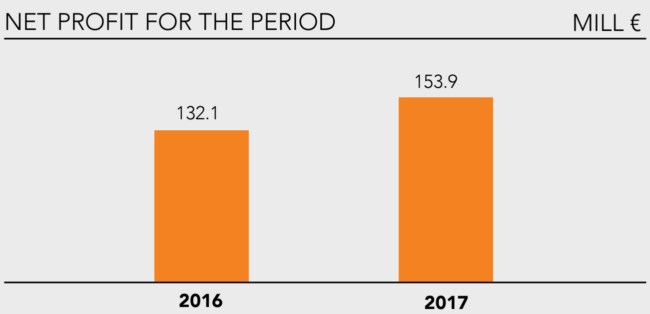
Earnings per Share were €1.16 vs. €1.00 in fiscal year 2016, with no variations in the number of shares of the share capital.

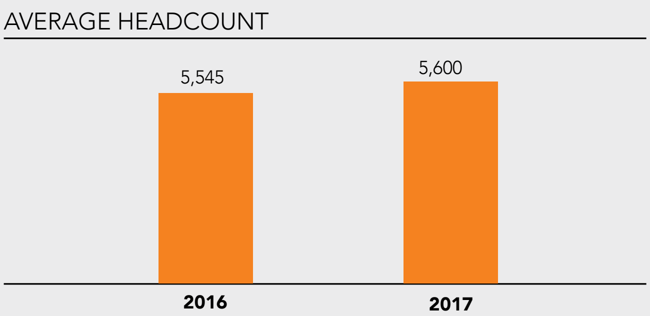
At fiscal year closing, the Company owned 391,432 own shares.

The graphs below show the evolution of main indicators for fiscal year 2017 (October 2016 – September 2017) compared to indicators for fiscal year 2016 (October 2015 – September 2016):









Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year that is recovered during the second half, usually reaching its peak around year end.

The decline in the working capital variation was mainly driven by a non-working day closing day in this fiscal year, and also due to the fact that there was one sales day less in the month of September than in the previous fiscal year.

The significant variation in the corporate tax between fiscal years is driven by the modification in the calculation rules for advanced payments of this tax in Spain, now including the international dividends, as well as in the percentage for advanced payments.

The improvement in the financial results slightly mitigated the impact of the two variables previously mentioned, reaching the cash generation €74.3 million.

During the fiscal year 2017, a total of €126.1 million were paid as dividends.

Dividend Policy

The Board of Directors intends to propose to the General Shareholders Meeting distributing a final dividend corresponding to fiscal year 2017 of €99.3 million (€0.75 per share) that will be payable at the end of the second quarter of fiscal year 2018.

Additionally, the Board of Directors agreed past 27 July to distribute an interim cash dividend corresponding to fiscal year 2017 of €0.30 per share (slightly more than €39.7 million). The payment was effective on 30 August 2017.

Therefore, the total dividend corresponding to fiscal year 2017 will be c. €139 million (€1.05 per share), a 16.7% higher than the total dividend distributed in fiscal year 2016.

Outlook

Current trading environment suggests that in fiscal year 2018, Adjusted EBIT could record around double digit growth with respect to fiscal year 2017.

This foreseen growth is composed of a slightly positive underlying activity forecast during the fiscal year and the positive impact coming from the yearly variation of non-recurring results derived from tobacco price and tax movements, not managed by Logista.

Although the amount that these results may reach is uncertain, it is very unlike that the circumstances surrounding fiscal year 2017 that translated into a net negative impact are repeated, reason why it can be expected that said results provide additional growth to that of recurring activity.

It is estimated that restructuring costs can increase with respect to fiscal year 2017, depending on the evolution of the activity in France as is expected that if tobacco manufacturers implement the tobacco RSP rise requested by the French Government, tobacco distributed volumes may reduce significantly.

On the other hand, financial results will be lower than those of current fiscal year as no extraordinary result impact is forecasted in that line.

Finally, and in the absence of non-recurring impacts, a rise in the effective Corporate Income Tax of the Group is expected.

As a consequence of all the above, it can be expected that Net Profit stabilises around the figure reached in fiscal year 2017, after two consecutive years experiencing double-digit growth.

Payment periods to suppliers

As of September 30th, 2017, the Group registers accounts payables slightly above the maximum legal payment period (30 days) explained by suppliers agreements characteristics.

Risk exposure

The risk management to which is exposed the Logista Group in the performance of its activities is one of the basic cornerstones of its management in order to preserve the Group's value assets. With a focus on a global management of the Group's risk, the risk management system is structured and defined to reach the strategic and operational objectives. This risk control system is monitored and supervised by the Audit and Control Committee of the Board of Directors. This Audit and Control Committee delegates these competencies in the Internal Control Committee.

This Internal Control Committee is chaired by the Group's Corporate Financial Directorate and has the double objective of i) ensuring the continuous development and implementation of the Group's Internal Control System in all countries and businesses, as well as ii) promoting and coordinating the work for annually updating the Group's risk map and proposing approval to the competent bodies.

Although in this management report, without neglecting to mention the main operational risks, we will focus on the control and risk management systems of financial risks, for a broader description of control and risk management systems of the Group see point E of the Annual Report on Corporate Governance. Also, in point F, the Internal Control System for the Group's Financial Information is described.

The main risks and uncertainties facing the Group are related to possible regulatory changes in the industries in which it operates, the normal operational risks arising in the ordinary course of businesses, which are insured externally as far as possible. However, the Group complies with all the requirements to operate in the various markets and industries in which it carries on its business activities, and it has established, through its organisational structure, the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and, similarly, to comply with the obligations imposed by the various legislations applicable to it.

Among the main risks, it is important to highlight:

- The Group's Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.

- European Directive 2014/40/UE (3 April 2014), whose transposition period by the respective EU members ended on May 20, 2016, establishes tighter rules for tobacco products, related among others, to labelling, ingredients, track and trace and cross-border trade could affect the sold volume.

- Liberalization in the main markets where the Group operates as tobacco derived products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.

- Main operational risks may occur are related to theft of tobacco in facilities and during transport associated to increases in insurance premiums, as well as to technological risks associated to the lack of (or faulty) availability of the Information System.

The Group could also be affected by the risks arising from the adverse economic climate worldwide and their possible impact on consumption in the markets and industries in which the Group is present.

From a financial perspective, the Group's main financial assets are cash and cash equivalents, credits to Group's companies, trade and other receivables and investments. These items represent the Group's maximum exposure to credit risk. So, the main financial risks for the Group could be summarized in:

- Safeguarding of assets: the Group's Financial Directorate has as one of its main objectives to safeguard the Group's assets value in all business units and countries where it operates (Spain, France, Italy, Portugal and Poland, mainly) through the risk analysis and prevention and optimizing the management of the main claims. The financial department analyses the accidental risks which could affect the Logista Group, in its assets and also in its activity, and according to these risks, establishes the external insurance coverage contracts which considers necessary. Related to the high Goodwills, impairment tests are carried out according to International Accounting Standards in the Group.

- Credit risk: In general, the Group deposits its cash and cash equivalents in entities holding a high credit rating. The Group presents as well an exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.

- The Group controls the insolvency and delinquency risks establishing credit limits and through the establishment of demanding conditions in respect to collection periods; that commercial risk is spread among a high number of clients with short collection periods, being the main Group's clients: newsstands and tobacconists. So, the credit risk exposure to third parties is not very significant, and the Group has, always if considered, Insurance Policies to mitigate the impact of possible defaults, although this default rate in all geographies in which the Group operates is very low.

- The Group estimates that at 30 September 2017 the level of exposure to credit risk of its financial assets is not significant.

- With regard to liquidity risk, the Group maintains enough cash and cash equivalents to face the payments derived from its usual activities. Also, if punctually financing is required, the Group has available credit lines.

- Respect the exposure to interest rate risk, considering the low level of the Group's financial debt, the Management of the Parent Company considers the impact from a potential increase in interest rates which could have in the consolidated annual accounts is not significant.

- Also, the level of exposure to the net equity and the P&L account in terms of future changes in the current exchange rates is not relevant; due to the volume of transactions of the Group in non-Euro currencies is not significant.

From a fiscal point of view, the risks facing the Group are:

- Changes in the payment cycle of the Group can obligate to seek out external financing sources to compliance its obligations: As any wholesale business, the payment cycles of the acquired products to manufacturers and the billing cycles of the points of sale do not match. Along with this, the payment by the Logista Group to Tax Authorities is made in a different cycle to the cycles corresponding to manufacturers and points of sale.

- On the other hand, the possibility of modifications in the tax regulation can impact directly in the results and cash management of the Group (excise duties, Corporate Income Tax, Personal Income Tax, etc).

During the fiscal year, the Group has suffered the materialization of normal operational risks, in the normal business evolution, and particularly, robberies of tobacco in facilities and during the transport, without incidence in the Group's results thanks to insurance of the goods. Also, the Group faced the responsibility for settlement tax litigations, resolved against the Group, without relevant incidence in the results due to they were provisioned.

Environment

The Group has a Quality and Environment Director Plan and a Quality, Environment and Energy Efficiency Policy setting the guidelines and good practices to optimize the use of resources and prevent pollution in processes, according to strict regulatory compliance and the Group's targets voluntarily subscribed.

Logista promotes the respect for the environment among staff, customers, suppliers and the society in general. Accordingly, the Quality, Environment and Energy Efficiency Policy is available both in the intranet as well as in the Group's corporate website so it is known by all employees and the rest of the Group's stakeholders.

This Policy includes the definition and control of environment and quality indicators, with periodical assessment of sustainability performance as well as evaluation and reduction of the carbon footprint.

The Logista Group calculates the Carbon Footprint of all its businesses and activities in the different countries where it operates (Spain, Portugal, France, Italy and Poland), including most of the Group's outsourced activities, like transport operations and franchises, and indirect activities, like those of acquiring goods and services, water consumption or waste generation.

The calculation is based on the Green House Gas Protocol norm and emission factors for reporting Green House Gases and in the UNE-EN-16258 norm to establish the calculation methodology. An independent audit entity verifies the calculation according to the UNE-EN ISO 14064 norm, ratifying the figures and assuring the process reliability and traceability.

The Group's transport network, Integra2, and its subsidiary Logesta freely report to their clients the Carbon Footprint of their deliveries and transport routes through the website and the invoices.

In the fiscal year 2014, the Logista Group started to use renewable-produced electricity. In the fiscal year 2017, over 90% of the Group's premises use renewable-produced electricity, including every Group's directly managed centres.

The Group also compiles and analyses information about water consumption, waste and most relevant materials consumed by the Group, using this information to optimize the savings and to minimize the environmental impact related to its activity.

Regarding this matter, Nacex following the dynamic of the Logista Group, has renovated its "NACEX Box" which is now reusable and with greater anti-tampering security, complementing its range of recyclable packaging manufactured out of recycled, 100% ecological materials.

Additionally, Nacex has implemented a pick-up system for bags in the network of franchises and platforms, with the goal of ensuring the recycling of this kind of waste.

Moreover, Logista maintains its efforts reusing card-boxes reaching a significant reduction of waste and emissions in Spain, France and Italy.

The Group also establishes efficiency plans in the short, medium and long term by country both for its network of facilities and for its transport networks, even if outsourced, as well as defining individualized programs that include the follow-up and the systematic control of the attainment of the objectives.

For example, in its vocation for efficiency in the use of resources for transporting, it continuously works in optimizing routes and renewing transport fleets agreements introducing efficiency criteria.

Integra2 has increased its fleet of vehicles working with fuel less contaminated, alternatives of the derived petrol, and it is committed to continue the process of incorporating more ECO vehicles to his fleet. This result is achieved thanks to a constant work looking for the best technology for each case.

Nacex also maintains its commitment to promote a fleet of sustainable transport and with low emissions among its franchises, already having electric vehicles in its fleet. In this line, Nacex promotes the purchase of electric vehicles by its franchises with commercial agreements with car dealer ships.

In long-haul transport, Logesta continuously incorporates the most efficient technology, prioritizing euro VI motorizations and Green Tech technology.

The Group periodically undertakes energy audits in every country and by each business. The audits, already made in Spain, France, Italy and Portugal have allowed for a complete identification of improvement opportunities, and will be the base for a better planning, execution, monitoring and control of the energy efficiency objectives.

Logista collaborates with organizations and stakeholders favouring improving quality and environment, and participates and promotes initiatives on environmental protection.

Thus, the Group participates in technical, divulging and/or environmental analysis reports, such as the Carbon Disclosure Project (CDP) or the FTSE4Good, sharing with transparency our vision on the climate change and its impact on the society and our business in particular.

In October 2016 CDP included the Logista Group among the 193 companies in its prestigious “A List” group, after assessing the Group’s management and commitment, having evaluated the actions developed as good practices that identify and set Logista as a world leading company in managing Climate Change.

The information Logista annually reports to CDP on the climate change management the Group runs at corporate level, its application on the businesses and the actions developed in each fiscal year may be consulted in its website.

Logista is founding member, together with other Spanish companies, of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), to work together and to transfer to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources.

Also, the Logista Group develops awareness initiatives, such disseminating actions the Logista Group carries out on this to grow the knowledge and commitment of employees, etc.

Significant events for the group after the reporting period

No significant events took place after the reporting period that could affect a significant impact on the accompanying consolidated financial accounts.

Research and development activities

The Group invested in R+D+i €4.2 million in fiscal year 2017. Most of these investments were made to adapt the systems to enlarge the portfolio of services offered to its clients, automate processes and develop own software.

Treasury shares

At 30 September 2017, the Group held in its balance sheet 391,432 own-shares, representing the 0.29% of the Company's share capital. Own-shares were acquired in execution of the Share Buyback Program.

The Board of Directors of 26 January 2016 agreed an extension of the Share Buyback Program of the Company (communicated to CNMV on January 30, 2015) and extended on September 29, 2015 to allocate them to 2014 General Plan in Performance Shares and to the Special Plan in Performance Shares. On September 27 2016, the Board of Directors agreed to extend until October 1, 2017 the Extended Share Buyback Program of the Company.

Use of deivative financial instruments

No Group company uses derivative financial instruments.

Logista

C. del Trigo, 39 - 28914 Leganés (Madrid) Spain www.grupologista.com